The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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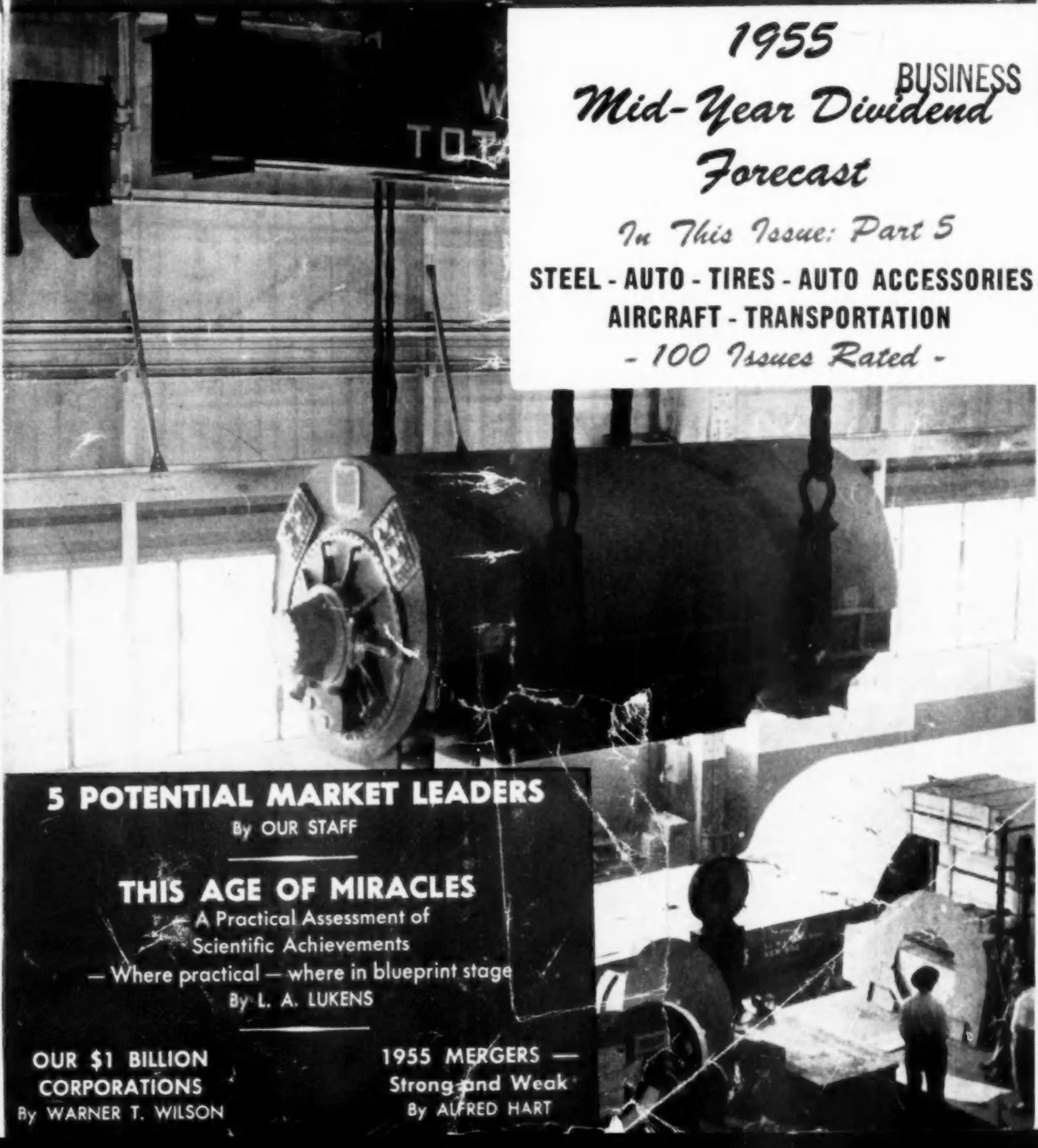

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THE MAGAZINE OF WALL STREET

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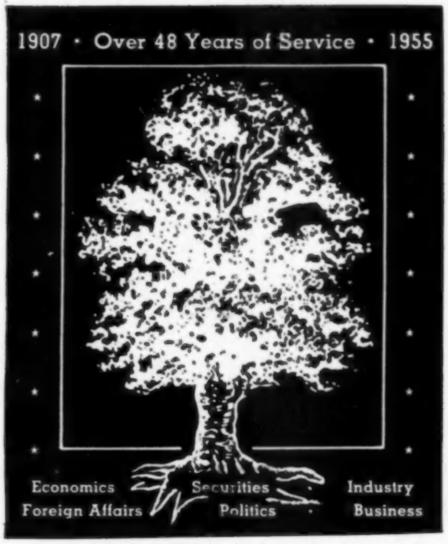


The Trend of Events

CRISIS IN MOROCCO . . . The French are showing the same blindness in Morocco that they did in Indo-China and are very likely to meet the same fate. The fact is that the Moroccan Nationalists, who are becoming more intransigeant, can no longer be appeased by half-promises and evasions on the part of a French government so bedeviled by a split in leadership that it cannot make up its mind as to what to do. This indecision will cost the French dear. Unfortunately, we ourselves have a great stake in Morocco where we maintain some of our most important strategic air bases. These must be held at all costs. To accomplish this, we must first make sure that we retain the friendship of the Moroccan leaders. We will not lose French support by this for many of their leaders frankly acknowledge that past policies of the French government in Morocco have been wrong. When these leaders are in a better position to make their voice felt, it will be recognized that the United States pursued a policy friendly to both sides, at the same time maintaining a vigilant guard over its own interests.

THE GREAT IMPONDERABLE . . . Merchants, banks and finance loan companies are finding it increasingly difficult to check on the credit ratings of would-be borrowers. From all over the country come reports that countless individuals applying for loans fail to present an accurate picture of their total debt liabilities. Not a few families are in debt to as much as from eight to sixteen creditors. In seeking loans on new purchases, some individuals present only their "best" credit references, or those on which payments are made promptly, failing to mention to the lender that they are behind on payments for other items. Under these circumstances, the lending institutions are more and more at sea in determining just how much of their outstanding consumer debt has been advanced along sound lines, and how much has unwittingly been granted on unsound lines.

It is now claimed that total outstanding consumer debt is probably 50% higher than official government figures. This would place consumer debt at $50 billion, as compared with the official estimate at $32.5 billion in July.

When one adds to these colossal figures, the staggering sum of outstanding mortgage debt now over $80 billion, it is not difficult to understand the concern of our financial authorities with the ultimate consequences of this situation, unless it is controlled effectively. In addition to the obvious risks in the present trend of consumer trend, it is disconcerting to find that the proportion of consumer savings to income is declining, despite higher national-personal income. This trend toward lower savings and higher debt is exceedingly unhealthy, especially at a time when there is a threat of inflation in the price level of important manufactured products and industrial materials, as seems to be unfolding at this time.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-seven Years of Service"*—1955

There is no use disguising the fact that the boom in business has been sustained to far too great a degree than is safe on a certain measure of unsound expansion in consumer and mortgage credit. It is of the utmost importance, therefore, that all lending institutions recognize their share of responsibility in cooperating with recent government measures to control much more effectively the volume of credit that should be made available for consumer purchases. How wisely this problem is met by all concerned may well be the key to business conditions over the months to come.

A LESSON FOR SOVIET FARM EXPERTS . . . American farms and factories have welcomed Soviet agricultural chieftains, who have, for the first time, seen a way of life that is free, if not Utopian. As they depart, we have reason to hope that they realize the free enterprise system has created a standard of life beyond anything dreamed of in the wildest imaginings of the Bolshevik planners. Though they came to us at a time when American farmers were not doing as well as the rest of the economy, our guests must find it difficult to believe that the standard of life on the American farm, at its worst, ever could fall to the low levels of Soviet rural life, at its best. From the amazement of our Soviet visitors there was an even greater lesson for Americans and the free world in general. They must know by now, if they had not already surmised, that we do not need a war to demonstrate the superiority of our capitalist system over a totalitarian society. By all means, keep the Comrades coming, for the lessons they learn from the American way of life could keep them busy for the next hundred years at pursuits that pose no threat to the civilized world.

THE GOVERNMENT IN BUSINESS . . . While this Administration has made strenuous efforts to withdraw from activities which brings it into direct competition with private industry and commerce, it has nevertheless been increasing its economic activity in other fields. Thus, it has greatly enlarged its direct commitments to agriculture, and housing, and maintains an active though reduced program of foreign aid. Through government corporations, it carries on diverse programs in these and other fields. The federal corporations through which the government carries on specific financing programs are principally: the Export-Import Bank; Commodity Credit Corporation; the Federal Deposit Insurance Corporation; Federal National Mortgage Association; and the Tennessee Valley Authority.

It is surprising to realize how large are the financial facilities at the disposal of these agencies. This was no less than $20 billion in 1952.

Federal corporations have a great advantage over private corporations in that the government may take risks, for specific purposes, which cannot readily be taken by private enterprise. In effect, funds controlled by government corporations are mainly used for the purpose of subsidizing one group of the population or another, but the costs are borne through taxes by the entire American people. This may be socially desirable but cannot easily be defended on financial grounds. Since the profit-making motive is lacking from these government enterprises their costs are calculated much more loosely than private enterprise, which must determine all costs including taxes (not paid by the government) in order to determine the level at which a profit can be made. Obviously, this places private enterprise at a distinct disadvantage as compared with government corporations.

U. S. INVESTMENTS IN CANADA . . . Canada continues to lead in U. S. investments in foreign nations by a wide margin, according to a Department of Commerce report revealing that in 1954 new U. S. investments in Canada were $700 million, bringing our total investments in that country up to close to $6 billion. Of this amount about $2 billion is invested in mining and petroleum, about $2.5 in miscellaneous manufacturing and the balance in merchandising and investment funds.

The steady increase of U. S. investments in Canada, especially in the post-war period is undoubtedly a mark of the high degree of American confidence in the long-range economic future of our northern neighbor. Still, investors in Canadian enterprises cannot expect constant and uninterrupted success in their investments any more than they would with regard to their investments at home. Canada is a rapidly growing country but, at this stage in its development, has many years ahead of it before it reaches economic maturity on a scale comparable with that of the United States. In the meantime, the average American investor contemplating investing in Canadian companies, would do well to stick to those which are well established and which have the largest resources. The others—those of recent origin—would be more suitable for speculation for those who can afford it.

NEW PROXY RULES . . . As forecast in these columns several months ago, the Securities and Exchange Commission will shortly consider a change in the rules affecting the solicitation of proxies. This move is intended to end the present ambiguity in the administration of existing regulations by the SEC. First and foremost, tightening of the rules will compel full disclosure of the basic facts involved in stockholders' fights where proxies are solicited; and, equally important, the full disclosure of the identity of all persons actively engaged in such campaigns.

The objective is to make the fullest information available to stockholders so that in their stockholders' meetings they may have a fair chance of casting their ballots on the basis of possessing adequate knowledge of the essential facts. As an important move in the protection of stockholders' interests, the decision of Securities and Exchange Commission to end existing inequities in the solicitation of proxies is welcome. While the reforms to be instituted primarily affect corporations whose securities are listed on the stock exchanges, we believe the effects will be equally salutary with respect to unlisted securities inasmuch as the latter are also concerned with stockholder-management disputes affecting the control of corporations.

As I See It!

By E. D. KING

IT MUST NOT HAPPEN AGAIN!

The disastrous floods in New England and the Middle Atlantic states which brought death, limitless suffering and enormous destruction of property over widespread and densely populated areas should serve as a grim reminder that, to a suicidal extent, we are still failing, as a nation, to take adequate measures to safeguard our natural and human resources. The annual toll in life and property caused by nature's more violent outbursts, for which, when the chips are down, we are virtually as unprepared as the Indians who first settled this country, staggers the imagination. It is amazing that a nation with such vast technical knowledge and equipment at its disposal would so long permit itself to endure such a state of affairs. Yet we, incomprehensibly, continue to do so.

COULD THIS HAVE BEEN AVOIDED?

With apologies to Loring in the Providence Evening Bulletin

In the areas stricken by the recent holocaust, as well as in regions which have been similarly afflicted in the past, the entire nation not only suffers immediate and irretrievable loss in life and property but pays a severe indirect price through the interruption to the normal economic life of the communities involved. This not only means an enormous loss of wages to the workers who are thrown out of work when their plants and factories are forced to close down, but a loss of trade running into the billions annually. The effects of such an interruption to economic life are necessarily long-felt on a national scale.

In a nation such as ours which justly prides itself on its remarkable business and technological skills, one would think that the nation would endeavor to plan to hold down losses from natural disasters as much as possible, and that the people would demand a determined effort by the federal, state and local governments, in cooperation with business, labor and all other groups, to set up the necessary national machinery for effective control.

In the case of the devastated areas in New England and the Middle Atlantic states, a region traversed by countless rivers, lakes and streams, and which are thereby highly vulnerable to excessive flood conditions, it is significant that no full-scale attempt has ever been made to create an integrated system of flood control, despite the fact that this area contains within its confines a highly concentrated complex of industry and business furnishing livelihood to millions of people. Failure to provide such means of control has just cost several hundred lives and billions in property loss and damage, some of which will probably never be restored.

There is another vital aspect to our tremendous problem. That is the risk to our national security should a catastrophe of the dimensions of that in New England and the Middle Atlantic states occur during a period of national emergency, as in war time. A sudden and prolonged interruption to production of equipment urgently required for national defense, which could come about as a result of disruption of facilities caused by severe floods or other "Acts of God," could conceivably imperil our chances in a major war.

Whether in peace or war, we should not permit further delay in starting an effective national control program, integrated to the needs of every major community. This could be done on a national scale by creating a new Department of the Government, with a cabinet officer possessing full jurisdiction over control measures and given the power to mesh the functions of his Department with similarly constituted agencies on a State and local level. Such a program would have to be financed through Federal and State aid.

The proposal may sound novel but Americans have never yet been deterred from taking the necessary steps for their safety once they are provided with the facts on which to base a decision. In any case, we seem to have little other alternative unless we are prepared to risk further catastrophic losses. Certainly, we must do everything that is in our power to limit the possibilities of damage so frequently caused by natural calamities.

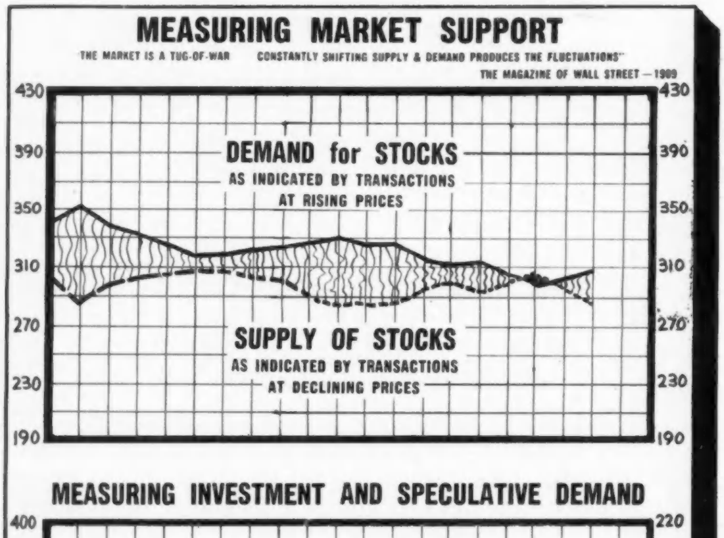
Professionals Take To Sidelines

Firmness in selected issues emerges after period of drift and hesitation, but major portion of list comparatively unresponsive. Credit considerations play an important part with many investors preferring to adopt a middle-of-the-road policy aimed at maintaining positions in sound issues and avoiding commitments in more speculative groups. A conservative, selective policy still remains in order.

By A. T. MILLER

At this writing, the market shows some signs of highly selective recovery from the intermediate downward swing which started toward the end of July and which was, in fact, heralded by weakness in the rails which showed up about a month earlier. As we pointed out during that period, the technical position has been impaired as a result of the sharp rise in May-July. This invited substantial profit-taking, which would have been normal under any conditions. Furthermore, tightening of credit caused greater caution among investors and speculators, especially the professional contingent which has retreated more or less to the sidelines.

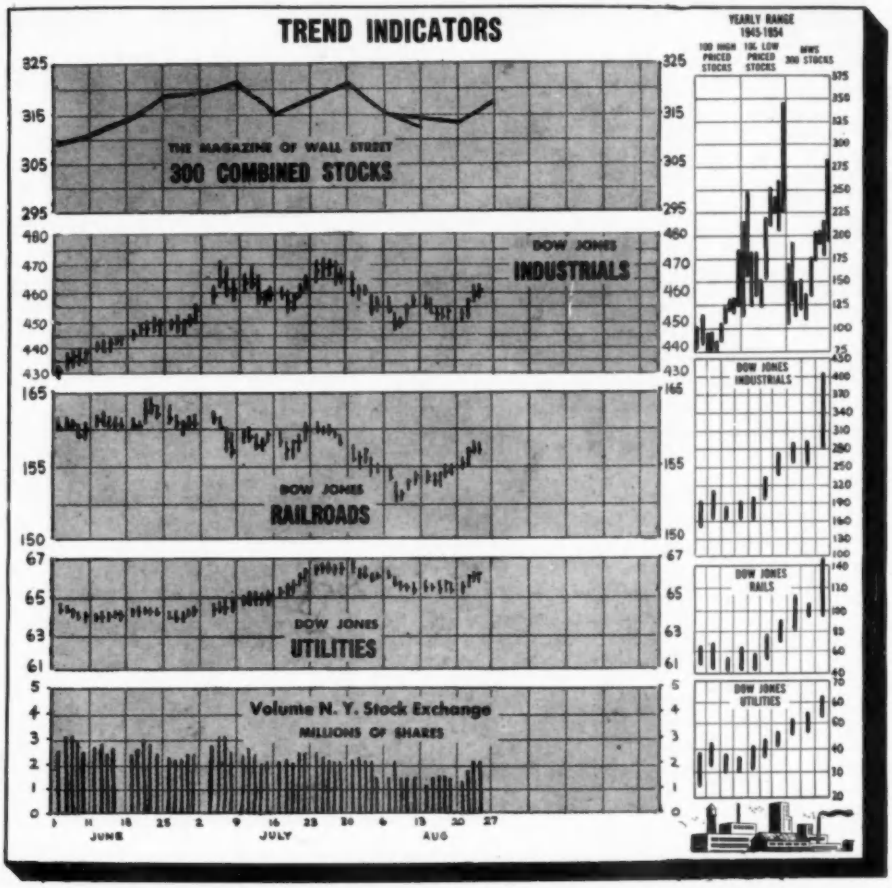
In any case, a period of consolidation after two years of rising prices was overdue. Such pauses have not been infrequent but the problem of the future trend of the market now has a somewhat different aspect than at the end of previous intermediate rises. This is due to the fact that it faces a period where extraordinarily large percentagewise increases in corporate earnings, as in the second quarter of this year, will be more difficult to match in view of the already high plateau on which earnings in general stand to-day as compared with a year or two ago. Since many individual stocks have been able to advance on the strength of unusually large earnings gains, any tendency toward stabilization of the rate of earnings, even though maintained at high levels, somewhat reduces the incentive for new purchases on a speculative basis. On the other hand, there are many issues which are now making a belated recovery in earnings or which are likely to continue to increase their earnings at an even more rapid pace than in the first half of the year, and these are the ones most likely to attract speculative interest from now on, which is another way of saying that opportunities for appreciation in selected issues may still be found through such opportunities are now more limited than in the earlier part of the year in view of the high level of prices which many individual stocks have reached over the past two years.



Low Yields as a Factor

It is obvious that a realistic approach to determining market potentials for individual stocks is needed more than ever, in view of the constantly changing position of the various industries. Even the desirability of so-called "name stocks" (blue chips) for average investors is subject to re-examination on the score of price and yield as many of these issues have reached a point where they seem to have priced themselves, almost if not quite altogether, out of the market, at least insofar as the more immediate future is concerned. That they may well be worth these prices or more from a long-range standpoint is

another matter, but the investor must decide for himself whether he can afford to wait until future earnings of these companies justify present prices. Obviously, yields of 2% and 3%, which is the return on quite a number of representative "blue chip" issues, is a deterrent so far as the ordinary investor is concerned. In recent issues we have pointed to these conditions and have suggested that investors who have been holding these issues at considerably lower prices might take advantage of the high prices available to accept partial profits and thus mark down the original cost. In any case, new purchases of high-grade low-yield stocks should be made on a "dollar-averaging" basis.



So far as poor-quality stocks are concerned, it is significant that ventures in these issues in the past few months have proved ill-advised. Though the mere fact that a stock may be selling at a low price should not be considered a reason for buying, many people still cling to this fallacy, and they have lost money at it.

Commodity Prices and Group Action

The responsiveness of stock prices to commodity price changes is noted in the rise of copper shares as a result of the mark-up in the price of the red metal. Strength in steel shares may also be attributed to the higher prices now prevailing, which have more than fully offset higher wages and which will maintain very large earnings for the industry on the enormous volume of tonnage at hand and in sight for the mills. Also, steel earnings will benefit from the large demand for the metal which will result from the recent disastrous floods. Per contra, the relative sluggishness of many oil shares may be attributed in part to the uncertain price structure in that industry, though this picture can change without notice.

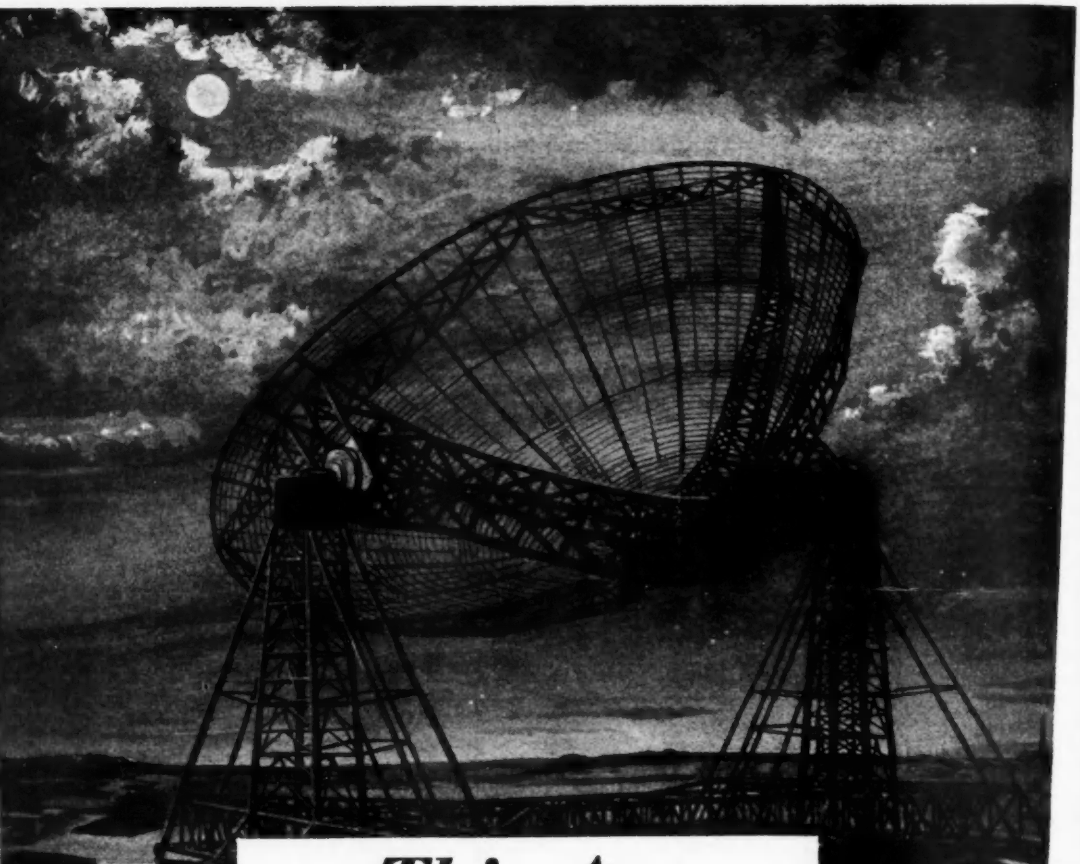
It may be of some significance that international stock exchanges have been the center of considerable selling in recent weeks. The London market, in particular, has been quite weak. Apparently, this is the result of over-speculation which is being brought to a halt by restrictive credit measures.

Our own market is now looking ahead to earnings and dividend trends in autumn and winter. Apparently, the federal authorities are sensitive to the possibility of an inflationary surge in the general economy, which doubtless would affect the securities markets. For that reason, their efforts to take some steam out of the current boom should be viewed soberly. The main objective of the authorities now is to keep the boom from getting out of hand and to maintain the economy on a sound level. Every effort will be made to accomplish this purpose but it is a delicate operation at best. The next thirty days should determine whether the inflationary dikes can be held intact by the comparatively moderate means now employed.

Moderate Effects of Credit Tightening

Thus far, the effects of the tightening of credit of the market have been comparatively moderate. In fact, it is a feature of the weaker sessions in recent weeks that they have brought out very little liquidation and that selling of individual issues, where it has occurred, has been quite orderly. Evidently, investors and speculators have made up their minds that there is not enough reason, at the present time, to take fright and dump stocks. Current steadiness of the market, therefore, offers reassurance to holders but there are too many imponderables in the situation to take indefinite continuation of this condition for granted. Under the conditions described, the soundest policy appears to be to pare down large speculative holdings; reducing moderately the amount of stocks on which yields are excessively low; limiting purchases to securities on which long-term prospects have not been overly appraised; and to maintain adequate reserves, or the equivalent.

—Monday, August 29.



This huge radio telescope—a triumph of electronics—jutting into the skies in England will be used by scientists to study the secrets of interstellar space

This Age of MIRACLES

By L. A. LUKENS

With ever-increasing velocity, mankind already finds itself well launched into the atomic age. The fantastic speed with which this colossal and universal venture into what was completely unimaginable only a few years ago, has become a real condition of life, both present and in future, and must forever remain one of the marvels of history. Never before in the life of man has such an enormous revolution, certain to profoundly affect every aspect of life on this planet, occurred practically overnight. So fast is the pace of new developments in the new sciences that it is a question whether mankind has had time to prepare adequately for their enormous consequences.

We are living in a truly amazing age in which "*thoughts are things*". Nothing now seems impossible for man, as he prepares even to penetrate outer space. And now the news that a "man-made satellite" will be launched in the comparatively near future illustrates how actively and speedily mankind is translating its soaring imagination to realities. And one is prepared to believe that this is only a start and perhaps the preparation for tapping solar energy itself. All over the world, responsible political leaders who are not easily given to dreams, are preparing to move swiftly to take advantage of the vast opportunities opening up to their people through the profoundly important scientific achievements which are now on the verge of altering the base of economies of old and famous nations as well as those newly born.

Under these circumstances, it behooves the businessman and investor to place the greatest importance on understanding the nature of the vast and onrushing changes that are close at hand. It is not an exaggeration to say that the advent of the harnessing of nuclear energy will soon bring into being vast new industries and that this can mean the death of

old ones. The influence of this new power on the economic life of the world can only be compared to such epochal discoveries as the use of fire and the wheel.

Already, the ramifications of the exploitation of nuclear energy and related fields go far beyond their specific application to the creation of new sources of power. Swiftly, and with ever increasing momentum, they are reaching into the investigation of outer space and the secrets it will reveal. More familiarly, nuclear science is already deeply concerned with the following important activities: agriculture in many of its phases; the preservation of drugs; the control of livestock pests; the analysis of metals; the detection of diseases; printing; the discovery of petroleum deposits; the testing of household equipment; and as a measuring instrument in many more fields. These are only a few samplings of how the use of nuclear energy is rapidly being extended.

Obviously, such a transformation of industry must have the most profound effect upon investments in future years. As older industries disappear, the companies engaged in these industries must also disappear unless they prepare to enter suitable phases of the new industries to be created. This is a situation in which investors will be greatly concerned as, of course, they will be concerned to possess investments in companies that are truly farsighted and which, in future years, will be more and more identified with the new industries.

Therefore, this is a time for investors to ponder deeply and to prepare to make the decisions that will be required. The ramifications of these new developments are described in the following:

Optimistic opinion in Washington and elsewhere has installed the world-girdling satellite, space ship, and other instruments in outer space exploration in the position today that was held in other years by Fulton's steamboat, the telegraph, telephone, radio, television and last, but not least, harnessed atomic energy.

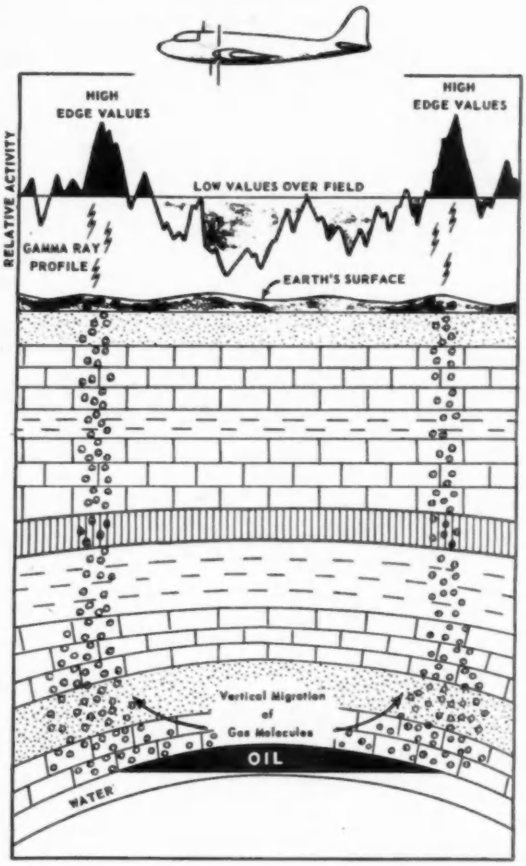
The adjective "fantastic," which had been applied to discoveries of other years, is definitely missing from accounts of not-distant plans of science and the engineer—copartners with industry and investment—to move into outer space and ascertain facts certain to redound to the benefit of theorist, worker and industrialist alike.

President Eisenhower's July 29 announcement of the man-made satellite's expected early debut was calmly received. Even now it is being calmly appraised by investor, industrialist and geographer, as well as by the romanticist. The designations "folly," "play-toy," and other derisive labels soon fell off the new water transport of Fulton, and from the mechanisms of speedy transmission of spoken word and picture. Then financial backing came. The rest is History; still being made at the summit of industry. And History might well be in a repetitive mood, its vehicle swiftly girdling the globe in the reaches of space not yet penetrated by the most powerful rockets, much less man.

With satellites, manned space ships and the other developments not too difficult to envision, come prospects of new fuels and their development; of craft production and maintenance; of take-off and terminal lay-outs. It is a plausible conception of a vast new industry getting under way.

Admittedly, the space ship is not a vehicle for vacation cruising next summer. But there are definite industrial advantages to be had from the man-made satellite and in far less time.

(It may be a bit facetious to point it up here, but

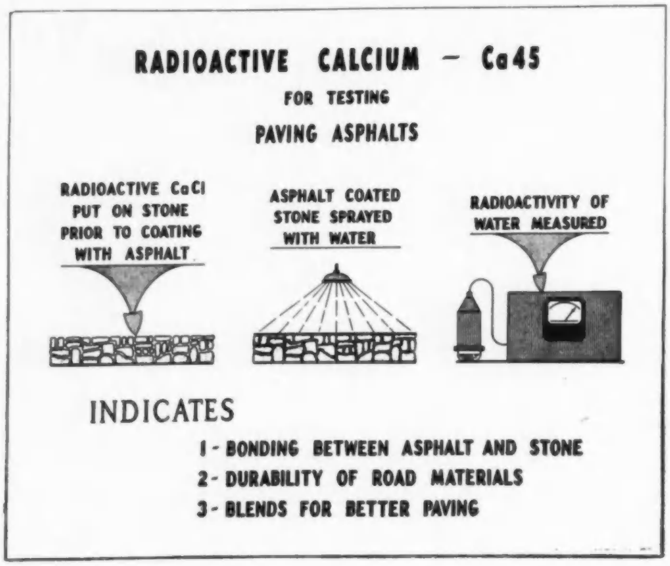


Gamma-ray Exploration for NEW OIL FIELDS

① Airborne Survey Measures Radioactivity In Top 4 to 6 Feet of Earth

② Presence of Oil Pool Blocks Natural Seepage of Radioactivity from the Earth Except at Edges

Application of nuclear science to industry is rapidly growing. The above is a representation of how it can be used in locating petroleum deposits. Its use will expand to include the detection of many other hitherto untapped reserves of natural resources throughout the world. Great wealth will accrue through this most advanced use of the new sciences that promise to change the face of industry throughout the world.



the fact remains the President's announcement of United States participation in the plan to launch the first of these outer-space objects has given impetus to the toy industry, lagging a bit as youngsters began to tire of the frontier weapons and accessories of Davy Crockett.)

Even the launching of the first satellite, "about the size of a basketball," is going to demand strides in the development of both fuels and metals. New fuels, no doubt based on petroleum, will be needed for propulsion of the rocket, or rockets, necessary to carry the tiny satellite the 200 to 300 miles upward to its point of release in its orbit. Hand-in-hand with fuel development must go research and production of newer, heat-resistant metals and their alloys, capable of withstanding the heat generated by atmospheric friction as rockets hurtle skyward at speeds in excess of five miles per second.

These two developments alone—fuels and metals—portend many advantages to the conventional industries destined to continue earth-bound. The fuels may mean entirely new concepts in both surface and air-borne transportation. Whether they will exert their power by thrust in surface use, or be confined in something resembling the conventional piston engine, cannot be predicted at this time. Sufficient to say that research will find the means of harnessing these new fuels for transportation purposes on land and sea, and for stationary power as well. Their use in the air will offer less difficulty—the jet engine is here; new metallurgy will enable tomorrow's jet engine to use the new fuels, both at present day flight levels and levels not yet traveled by aircraft. Thus tomorrow's transportation is certain to be at speeds presently unattainable.

The new, tough, heat-resistant metallic alloys will know almost unlimited usages—in high speed machine tools, oil and gas well drilling equipment, and many hundreds of other applications where durability and resistance to heat add up to lowered operating and production costs, and contribute to longer life for higher priced industrial equipment.

But satellites will mean more to industry than new fuels, new metals.

Certain to follow the experimental satellite, which will be barren of instruments of any type, will be a larger satellite, equipped with electronic devices capable of transmitting to ground observers what it "sees and feels" in upper reaches as yet unexplored and of which scientists now have little or no accurate information. In the words of one prominent scientist connected with the forthcoming experiments, "The instrument-bearing satellite will transmit knowledge from which mankind will be greatly enriched, from which he can overcome difficulties which now seem insurmountable."

This knowledge will be of many kinds. For one it will be metered measurements of the sun's radiations now invisible to earth-bound observers. Measurements like these will help in understanding the nature of the universe, at the same time having far-reaching effects in such fields as improved radio transmission and reception, and long-range weather forecasting. Such knowledge might conceivably lead to a world-wide television relay system, while long-range weather forecasting would determine production schedules for the manufacturer of, say, clothing. Increased knowledge of solar radiation may well permit us to determine if polar ice caps are melting, whether deserts are becoming more or less arid—thus making it possible for industry to anticipate the necessity for gradual migration to other areas of the earth.

What man learns through these earlier experimentations will lead to the possibility of future satellite experiments. What is learned from the first trials will produce information needed before such ambitious projects as space flight may be achieved. Indirectly, science is certain to gain basic knowledge in atomic physics enabling further study of primary cosmic radiation, possible only from an observation point which stays above the earth's atmospheric blanket for a long time. Finally, and on the speculative side, there will open up the possibility for brand new discoveries upon whose nature scientists at the moment will not speculate. One, intimately connected with the forthcoming launching of the *first* satellite (and the emphasis is his) told this reporter:

"Don't expect the space ship within your life time, but be assured this experiment, like all others of the past, will produce knowledge which will lead to definite new discoveries, all of them beneficial to mankind in general, industry in particular.

"Science, industry and the engineer didn't quit then," he continued, "but sought further—and constructive—uses of the atom and its energy potentials. You know the answer to that quest, rather the answers. They include an atomic powered submarine, half a dozen atom-fueled power power plants within the United States, and perhaps more in other parts of the world."

This would seem to be the point at which to review the progress of research in the field of atomic and thermo-nuclear physics. It may effectively point up that we may expect as much or more progress in man's exploration of that area above the earth, heretofore thought totally inaccessible except to rockets, a few of which carried mice to prove the animal structure can withstand supersonic speed and at the same time carry a life-sustaining supply of oxygen and return to earth unharmed.

A few weeks more than a decade ago, the first atomic bomb fell on Hiroshima, Japan. Its announcement by President Harry S. Truman drew world-wide skeptical comment. It was weeks before the world accepted the atomic bomb as a fact. This, people finally declared, is either the end of wars or the end of civilization, depending upon man's ability to settle the differences of Nations by negotiation rather than by force. There were a few who saw other possibilities—harnessing of the atom for the uses of industry. Those who saw these possibilities said little lest they be derided as dreamers of the impossible. But they worked on in laboratories across the land, some of them financed by Government, some getting money for their research from those industrialists and investors who had reached the conclusion that nothing useful is impossible if proper research is applied.

There is little need to review here the progress of mankind in the field of fissionable research, but some of the highlights should be mentioned. The atom-powered submarine — the U. S. S. *Nautilus* — is now an integral part of our fighting fleets; two sister ships, both atomic powered, are on the shipbuilders' ways; four more have been ordered; plans for the atom powered merchant ship are complete, awaiting Congressional appropriation to become a reality. Some five or six atom powered electric generating plants are under construction, mainly by private enterprise, the first of which will commercially sell electricity during the coming year. But, long before these projects were publicly announced, Industry of the United States had found other uses for the atom.

Manufacturers of high-speed machine tools were using the atom to measure wear to a fine degree hitherto impossible; the great oil companies of the nation were using the atom in exploration, drilling and pipeline operations. The Agricultural experiment stations across the land were learning new things about fertilizers and their real effect on plant growth, while medical science, with the aid of radioactive materials discovered in the making of the first A-bomb, was accurately tracing the course of drugs through the human body and utilizing radioactive materials in the never-ending fight against mankind's greatest scourge, cancer.

Recently, nearly a score of nations had their atomic exhibits at Geneva, Switzerland, revealing some 500 practical (not theoretical) applications of the atom to the everyday problems of twice as many industries. And all of this has come about in a decade, one-seventh of the Biblical measure of a man's life —"three score years and ten."

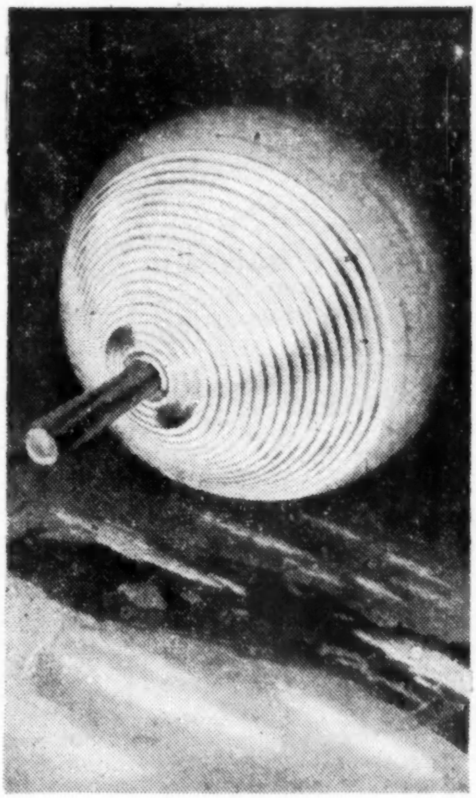
The atomic bomb was six years old when science announced the dread Hydrogen bomb, first described as a "thermo-nuclear" device, indicating its vast forces stemmed from the instantaneous generation of heat equal to or greater than that of the sun. "Here," said the skeptic, "is a force man can never harness for his welfare; always it will be a mighty force for destruction."

In many areas, this pessimistic prediction was endorsed. Time, and less time than it took to harness the powerful Uranium of the original A-bomb, gave the gloom mongers the lie. At this moment it is broadly hinted the tremendous power of thermo-nuclear reaction will be tamed for the peaceful service of man. When the scientist, always the modest conservative, tosses out a hint of things to come, he is in reality *telling what he already knows to be a fact.*

If atomic and thermo-nuclear forces be too new for some readers, too difficult to thoroughly comprehend, let him turn to electronics, a somewhat older science and familiar to even six-year-old "Junior" who accepts television as his daily fare, even demands it as a pre bed-time right. Radio is "old stuff" to today's adult, yet many readers recall its infancy—even some of them describing it as the "wild dream of an even wilder Italian named Marconi."

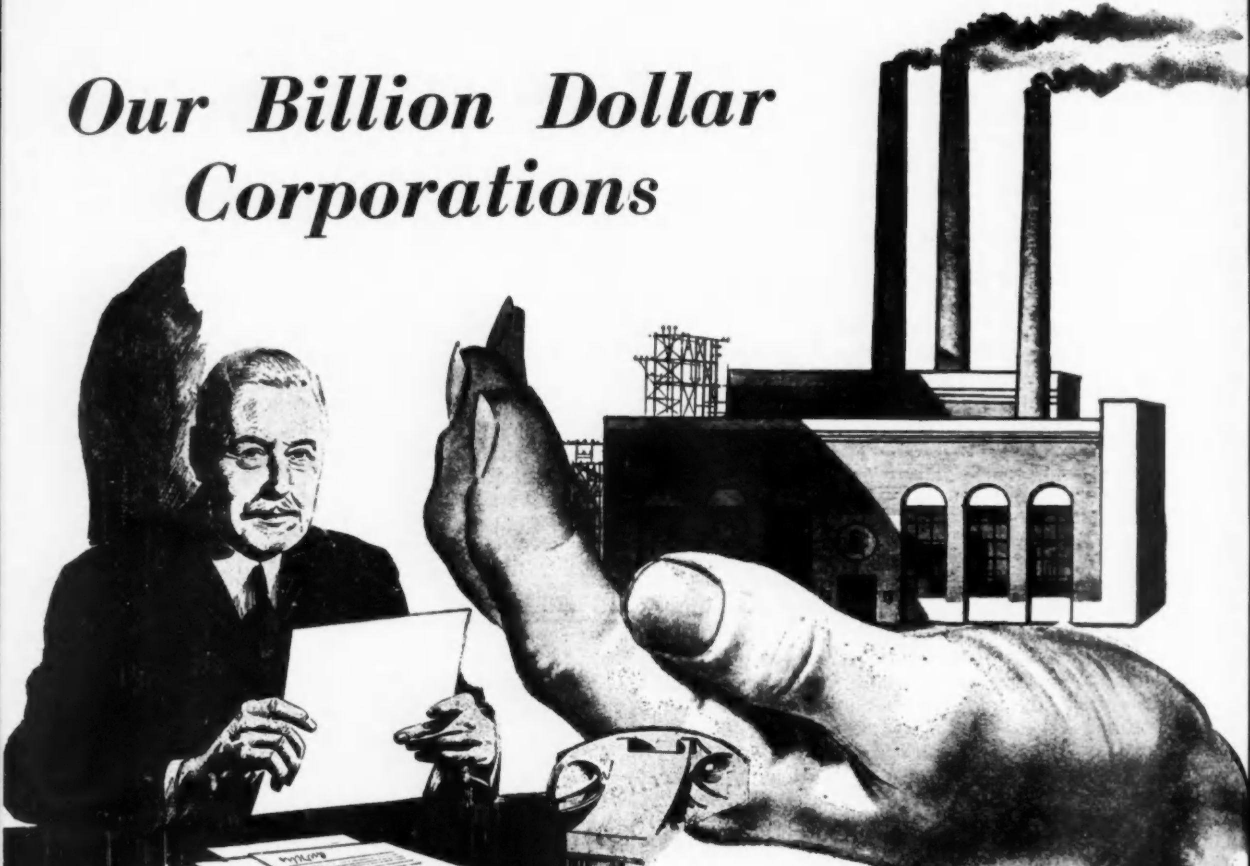
Yet the development of radio, one branch of electronics, has been swift in comparison with the shift from the side-wheeler of Robert Fulton's day to the screw-driven ocean liner—and the atom powered *Nautilus*—of today. Even swifter has been the advance of television, a newer branch of electronics. Like radio, it was looked at skeptically, and little more than 10 years ago. Today, television is a multi-billion dollar industry, serving not only as the Nation's principal entertainment medium, but serving industry in hundreds of ways never realized by the general public.

Automation, the new force in industrial production, owes much to television. Through closed television circuits, one man (*Please turn to page* 740)



This is an artist's conception of the "man-made satellite" to be launched from somewhere in the United States in 1957. It is estimated that it will cost at least $10 million. Many companies in diverse industries will contribute to its manufacture.

Our Billion Dollar Corporations



By WARNER T. WILSON

A popular pastime of writers and analysts is to compile lists of companies which belong to the so-called "billion dollar club." These consist of corporations whose financial strength meets certain substantial requirements. One group is comprised of firms with annual sales or revenues of more than a billion dollars while another group is determined by finding companies with assets of more than one billion dollars.

There are many duplications among those with billion-plus sales and those with over a billion in assets but inclusion in one list does not necessarily insure the other. Thus, some corporations with substantial assets do not have equally large sales. Rails and utilities must maintain large investments in plant and equipment but the revenues in relation to property cost are relatively limited. On the other side, some consumer industries have large annual turnover of product resulting in large revenues without a corresponding investment in facilities.

The lists of companies meeting each requirement are not of much value without some knowledge of what they mean and how they got there. It is important to be able to properly interpret the full significance of the position occupied by each company individually and by the groups, as a whole.

To know that there were some companies with assets of more than a billion dollars adds little to the useful knowledge of an investor. However, examination of how these companies grew to be able to occupy such a position, what they are doing to remain there and whether the size is an advantage or disadvantage are questions of utmost importance.

Size Can Aid Cost Control

Actually, there are both advantages and disadvantages to giant size. It certainly is useful to be large enough to have good control over manufacturing costs with the flexibility allowed by a multi-unit operation. If sales slow appreciably it is possible to reorganize production in order to utilize the most efficient facilities while older equipment is idled. Bethlehem Steel Corp. in the past has reported that despite the usual large overhead associated with

steel-making operations, virtually as much net income can be covered at 85 per cent of capacity as at more than 90 per cent. Savings in costs as production rate declines are made by closing the less efficient facilities and by reduction in overtime pay needed when output is geared to full capacity production.

The Bethlehem situation is typical of the avenues for cost control which are open to the very companies. Much smaller companies are unable to curtail the rate of output without often running into a sharp rise in overhead costs.

Size alone, though, does not assure that a company is able to smooth the influence on profit of fluctuations in sales and revenues. Chrysler Corp. in 1954 indicated that nothing can support profit against a slash in sales volume and output. When sales of Chrysler dropped from $3,347 million in 1953 to $2,072 million last year, net income slipped from $75 million or $8.59 a share to $19 million or $2.13 a share for 1954.

The Chrysler depression of 1954 has since been relieved by aggressive steps taken by management to improve styling and relieve merchandising deficiencies. However, a 250 million loan from an insurance company enabled the company to carry out its plans without the need of digging into stringent working capital. Smaller companies generally have difficulty arranging financing at a time when their market position has dropped severely.

There is one other important advantage which these king-sized companies have and that is diversification. If demand for one type of product should ease, the company has enough spark left to continue doing well with its other endeavors. There is no question, though, that even a company like General Motors or one like Standard Oil Co. of New Jersey is basically dependent on a single market for its livelihood though it may have other sources of revenue. Others like General Electric, du Pont and Goodyear Tire and Rubber have been able to spread their own business risk by developing products which are aimed at a variety of markets.

A smaller company on the other hand, which lacks diversification, offers appeal for its speculative possibilities. If its particular endeavor is successful, sales and earnings reflect gains rapidly and often spectacularly. The low base from which operations begin improvement permits such a rise without creating alarm or curiosity of Government agencies like the anti-trust division of the Department of Justice.

Some of these smaller companies, lacking diversification, undergo severe fluctuations in earnings ranging from losses in off-years to substantial profit when conditions are good. Generally, the billion dollar companies have enough protective measures available to permit smoothing the effects of business they receive.

History has proved that investments in the larger, more stable enterprises have generally been more successful than in the (*Please turn to page* 738)

Companies In Billion Dollar Class

SECTION 1. COMPANIES WITH SALES AND ASSETS $1 BILLION OR OVER

	Sales or Revenues 1946 (Millions)	Sales or Revenues 1954 (Millions)	% Growth Since 1946	Assets 12/31/46 (Millions)	Assets 12/31/54 (Millions)	% Growth Since 1946	Earned Per Share 1946	Earned Per Share 1954	Price 12/31/46*	Price 12/31/54	Recent Price
General Motors	$1,963	$9,824	400%	$1,983	$5,130	158%	$ .88	$ 9.06	26¼	97⅞	127
Standard Oil & N. J.	1,622	5,661	249	2,660	6,615	148	3.25	8.94	34½	110⅝	132
Amer. Tel. & Tel. (Bell System)	2,094	4,784	128	7,381	12,850	74	10.12	11.42	171¼	175	181
U. S. Steel	1,484	3,241	117	2,004	3,348	67	1.21	3.23	24	73⅜	52
Sears, Roebuck & Co.	1,045	2,965	183	520	1,470	182	1.52	5.82	38½	77¼	98
General Electric	769	2,959	271	857	1,692	97	.50	2.30	12½	46¼	50
Chrysler	870	2.072	390	390	1,035	165	3.09	2.13**	46	71⅛	84
Du Pont	662	1,709	158	965	1,946	102	2.36	7.34	47½	167½	218
Gulf Oil	562	1,705	203	722	1,969	172	3.21	7.16	30	66	81
Standard Oil of Indiana	651	1,660	155	1,066	2,199	106	2.21	3.61	20½	48½	49
Bethlehem Steel	788	1,657	110	891	1,613	81	3.93	13.18	30½	109⅛	145
Westinghouse Electric	378	1,631	331	503	1,329	164	.65	5.06	25¼	80½	63
Socony Mobil	761	1,609	111	1,135	2,257	99	1.87	5.25	14¾	54⅜	60
Texas Co.	587	1,574	168	916	1,945	112	3.16	8.24	29¾	86	102
Shell Oil	443	1,312	196	471	1,042	121	1.22	4.41	15¼	61¾	60
Standard Oil of California	373	1,113	198	785	1,678	113	2.57	7.04	28¾	77	87
Sinclair	376	1,021	171	485	1,187	144	2.31	6.04	15¾	52⅛	54
Ford Motor Co.	[1]	[1]	......	[1]	[1]	......	......	......	....	....	....

SECTION 2. COMPANIES WITH SALES $1 BILLION OR OVER

	Sales or Revenues 1946 (Millions)	Sales or Revenues 1954 (Millions)	% Growth Since 1946	Assets 12/31/46 (Millions)	Assets 12/31/54 (Millions)	% Growth Since 1946	Earned Per Share 1946	Earned Per Share 1954	Price 12/31/46*	Price 12/31/54	Recent Price
Great Atlantic & Pac. Tea Co.	$1,435	$4,140	188%	$231	$470	112%	$5.02	$14.58	102	203	197
Swift & Co.	1,308	2,511	92	366	495	35	2.79	3.22	34½	47½	51
Armour & Co.	1,184	2,056	73	364	470	29	3.71	(d) .35	14	14¾	14
Safeway Stores	847	1,814	114	143	371	159	4.04	3.47	23¼	45⅛	44
National Dairy Products	742	1,210	63	248	446	80	2.03	2.77	18½	38⅜	40
Kroger Co.	574	1,109	93	99	190	92	2.55	4.04	24¾	48	42
Penney (J. C.) Co.	677	1,107	63	202	371	83	4.31	5.30	45	86¼	94
Goodyear Tire & Rubber	617	1,090	76	318	669	110	4.02	5.04	14	54⅛	57
American Tobacco	764	1,069	39	553	775	40	5.96	6.12	81	65½	73
Boeing Airplane	14	1,033	7,270	74	253	242	(d) .30	11.39	7½	73⅞	62

(d)—Deficit.

*—Approximate price.

**—Will probably earn well over $11 per share in 1955.

[1]—Does not report sales or assets, but is in billion class.

1955 MERGERS-STRONG AND WEAK

By ALFRED HART

The accelerated trend toward mergers and combinations of old-line companies has alerted Federal authorities to the dangers inherent in any concentration of economic power, caused alarm among many small business people who see a threat to their own competitive position in any merger remotely touching their own bailiwick and stirred public concern over an exaggerated tendency to seek a solution in "bigness."

These alerts, alarms and worriment may be ascribed, in large measure, to the headline-grabbing type of merger involving individuals whose aims appear to be self-serving. There appears little awareness of the crying need, in a great many instances, to combine corporate forces. Nor has the drive by Bethlehem Steel, second largest of the steel producers, and Youngstown Sheet & Tube, ranked sixth in that industry, to get Federal approval of their proposed merger done anything to persuade the general public that there are, almost invariably, pressing considerations.

It is no exaggeration to state that hundreds of modern-day mergers are in the public interest. Combinations, by and large, have brought a new flush to companies in decline and have given a lift to management, stockholders, employees and the whole community.

Among the modern-day pressures that have forced companies into combinations, there are easily a dozen that take precedence over the urge to achieve bigness for its own sake. Thus, food companies, which bring down to net profit, on the average, but 3 cents of every dollar of sales (for all manufacturing industries it is about 6 cents), cast about for chemicals, appliances and new products in an effort to better the return on invested capital. Quite often, the condition is reversed, with a Federal court edict forcing a company to divest itself of certain subsidiaries. The result is that such a company, finding itself under-invested, inevitably seeks out a company, or companies, in other fields, where the growth prospects are considerable and the sole need is large capital investment. Yet other mergers are born of the dire necessity of obtaining a measure of independence from a single customer, a condition that has beset (and, in many cases, still plagues) producers of railway equipment and automotive parts.

Round Out the Line

Ofttimes, mergers will arise out of a genuine need to round out a line of products. A partnership that links a giant manufacturer of the highly seasonal room-cooling field and a concern that turns out heating equipment, where the season is reversed, makes economic sense. A company that has thousands of dealers, who handle its radio and television sets, can hardly be blamed if it seeks to improve its competitive standing by rounding out the line through acquisitions and interests that will give it kitchen stoves and washing machines.

And there are mergers that are literally forced on companies as a means of survival. Indeed, it may be argued that many of these mergers not only are justified, but that they must go beyond the broad steps already taken. There is considerable feeling that the merger trend that has swept over the auto-

motive independents should ease their predicament, but that to be truly competitive with mammoth General Motors, Ford Motor Co. and Chrysler Corp. they must consummate a deal that would wrap up these entities into a Big Fourth or, as alternatives, absorb substantial factors in the auto accessories industry that would give them a greater degree of integration and move out into such fields as electronics and nuclear energy.

Many more examples of the pressing need to merge could be provided, of course, but one additional illustration should suffice to destroy the notion that this record wave of amalgamations arises out of a desire for economic dominance. We would cite here the mutuality of interest that brings many corporations together. Such marriages permit two companies in a given field to complement and strengthen each other in several important respects. Joint undertakings in marketing, production and research offer a sound basis for future growth exceeding that of the two companies operating separately.

Big Business, Little Profit

Let us proceed to examine at closer range the major causes of merger. Starting with the food field, we find that a company such as General Mills, a giant processor of packaged foods and the largest flour miller, has an enviable record of uninterrupted earnings and dividends reaching back to the previous century. Yet the men at General Mills are dissatisfied with net profit which runs to little more than 2 cents of the sales dollar. Blessed with a strong working capital position, the company constantly is on the lookout for companies that will give it a stake in lines where the take-home pay is more substantial than in food. The company has gone into (and out of) appliances and is trying its hand at sponge-making, chemicals and mechanical products for the military. Buying out a sponge company and the other investments that gave General Mills a modicum of diversification represent relatively small outlays, but there is reason to believe that the company would be prepared to go much further if the opportunity offered itself.

National Dairy Products, kingpin of the food-processing field, long has sought a merger that would make that company a prominent factor in the chemical field. The company was outbid for Schering Corp., which would have put National Dairy into the pharmaceutical business in a big way. Meanwhile, the big food firm continues, through its Sheffield Chemical Co., to cultivate such products as vinegar, caramel and alcohol. The interest of National Dairy in alien fields is explained by its inability to bring down to net so much as 3 cents of its billion dollar annual sales.

All They Have Is Money

An embarrassment of riches is hardly a cause for individual perturbation, but to corporate leaders, responsible to thousands of stockholders, it poses a problem. Their task is to put capital to work earning profits and dividends. Pullman, Inc. had to cope with such a problem shortly after the end of World War II. Organized in 1867, the company thrived down the decades as a builder and operator of sleeping cars and other types of railway rolling stock. But in 1947 Pullman was required by a court decree growing out of a Federal antitrust suit to sell its sleeping-car business. Anticipating the doom of its monopoly, Pullman came up with M. W. Kellogg Co., which builds refinery plants and processes for the petroleum industry. Kellogg took up part of the slack resulting from loss of the sleeping-car business and may one day surpass Pullman-Standard Car, long the chief subsidiary and major money-earner of the parent. Pullman, in 1951, acquired Trailmobile, second largest builder of highway truck-trailers. Thus, Pullman, has used a substantial part of once idle cash reserves to compensate for the loss of its traditional business.

Cash To the Rescue

Another merger stemming from the quest for a profitable outlet for surplus cash brought together United Paramount Theatres, Inc., possessed of an important chain of theatres and lots of money, and American Broadcasting Co., Inc., a firm badly outdistanced in the scramble for top television shows because it lacked the funds to compete with the big networks. As in the case of Pullman, this marriage owed much to the courts, which directed the divorce of Paramount pictures and theatre operations. American Broadcasting-Paramount Theatres, Inc. now is a thriving business and a fierce competitor of the other two top networks. Incidentally, it took some two years to get the Federal Communications Commission to permit the merger. At one time the commission opposed the consolidation because it felt such a merger would be an initial step by Hollywood in a plan to take over the TV business.

Blowing Hot and Cold

Carrier Corp., leader of the air-conditioning industry, is best known for the cooler temperatures afforded by its equipment during the summer dog days. It is too early to assay the size of the benefits derived from its merger (*Please turn to page* 736)

Mergers Completed This Year

Companies	Price at Time of Merger	Sub-sequent High	Recent Price
Allis Chalmers-Gleaner Harvester	78½	81⅛	70⅞
Budd-Continental Diamond Fibre	21⅝	23	20¾
Dresser Industries-Lane Wells	42⅞	47⅜	42⅝
Eastern Air Lines—Colonial Airlines	49⅝	58	51⅞
Hooker Electrochemical-Durez Plastics and Chem.	38¾	44½	38¾
Houdaille-Hershey-Frontier Industries	13⅜	15¾	14½
Olin Mathieson Chem.-Blockson Chem.	58⅜	64⅞	58¼
Sperry-Remington Rand	27⅝	29⅝	25½
Sunray-Mid Continent Oil Co.	23½	27¼	24⅛
Textron-American Woolen	13½	20⅞	18¼
Warner-Hudnut-Lambert	33½	37⅞	34⅝

A NEW ATMOSPHERE FOR CONGRESS

By "VERITAS"

CONGRESSMEN over a period of about one decade have removed their job from the category of incidental civic service at financial sacrifice to themselves and have made it a well-paid profession. They have created a bureaucracy rivalling the downtown organization they formerly bombarded. The lawmakers have raised their own pay in one decade from \$10,000 to \$25,000. Clerical help for a House member, for many years held to \$5,000 per office, now stands at \$30,000 per year. Each Member has office space, free, in his own constituency, and a bountiful pension awaits retirement.

> **WASHINGTON SEES:**
>
> It looks like Eisenhower vs. Stevenson in 1956, or every known system of ticket booking must be discarded—this in spite of the fact that it will pit two candidates who don't want to run for the Presidency.
>
> Too much importance should not be attached to the fact that both men sidestep clear-cut statements of intent. Ike has no need to announce he wants a nomination he knows will be thrust upon him; Adlai has been "running" since 1952 and there's nobody on the scene today to challenge him, force him to weaken his position by being a principal in a year-long intra-party contest.
>
> General Eisenhower has indicated by word and action that he wants to retire to his Gettysburg farm, get away from the job that robbed him of his retirement, and, he obviously fears, ultimately will rob him of his health. It is no longer a secret that he counts the days until he can get away from Washington, and that Mamie is even more anxious to be relieved of the strain. As it is now, they are only occasional Washington residents.
>
> Stevenson sees party doom in 1956 and undoubtedly would like to wait until 1960 for another try. But he cannot pass up next year's nomination without relinquishing his party titular leadership and influence; he cannot come back in the 1960 "good year" to claim the nomination from one who defied defeat earlier. So, count him as the candidate — a reluctant one.

CONSEQUENCE of this affluence is likely to be a new type of "career Congressman." The job no longer need be a stepping stone to Federal judgeships, rich lobbying jobs, and the like. Noticeable in the Capital is the fact that the solons, in greater number, are bringing their families here, buying permanent homes. They don't live in rooming houses any longer; their children attend Washington schools, their daughters are introduced to Capital Society. When they are defeated at the polls, or resign, they don't go back "home." Most of them open offices, stay here.

STATE INTERESTS tend to become meshed without regard to border lines under a system which uproots a townsman and sends him to Washington where he proceeds to dig in for economic self preservation. As a freshman House or Senate member comes to realize that things he once considered local in character really have their substance in Washington financing, he becomes a part of a Congress devoted to doing things on a national scale — roads, education, etc. The parochial viewpoint fades in this atmosphere.

ULTIMATE outcome of the system which is feeding on its own power could be good, or bad. Advocates of a strong central government will like it; state's righters will wring their hands in despair. Voters who regard government a profession and public office-holding something beyond a popularity contest will welcome the open door to professionally qualified men and women; voters who consider Congressmen should give frequent account of their stewardship at the polls won't like it. And a new arena for the battle of Youth vs. Experience is brought into existence.

As We Go To Press

This year's session of Congress seems to have advanced some of the major projects to the point where decision must be made early next year. The projects were not set up for slow death as has often been the case in the past. Some of the bills are highly controversial and, again, this is a switch in form: normally a "hard" issue that must be faced is gotten out of the way in a non-election year on the theory that the fury may die down before the voting booths are opened.

Example which comes immediately to mind is the highway construction bill. It was enacted by the Senate, defeated by the House. But the groundwork was laid to get it out of the way early in the next session. All are agreed on the need for a highway bill, and only the question of financing methods blocks the way. But that is a fundamental question of vast implications, political and otherwise. But something's got to give!

Federal aid to education is another. Here is a situation where a socio-political roadblock stands in the way. The need has been demonstrated to the satisfaction of all. If the issue of racial integration hadn't plagued the debate, the bill would have been passed. At this juncture (neither house has passed the bill) it appears that the segregationists haven't found any legal loophole to avoid the Supreme Court mandate on integration, but since a Federal-State matching plan is involved, it would seem futile to pass a law extending aid that won't be accepted.

More liberal Social Security benefits are definitely in the making. The legislation passed the House, this time was tied up in the Senate. But it is unthinkable that a measure that spreads its benefits so comprehensively over the electorate could escape passage in an election year. In the same general area of action, is expansion of the wage-hour law coverage -- extension of minimum wage and maximum work week to embrace large groups not now under the umbrella, retail store employees in particular. The mercantile lobby seems just too strong to let that one go by; it defeated the expansion in the last Congress and nothing is likely to happen during recess to change the outlook there.

Restoration of rigid 90 per cent parity in the farm commodities price support bill is on the doorstep of the Senate. It passed the House at the session just ended. Those on the inside say the lower branch relied on the Senate to set this one aside; that the House would not have indorsed return to the pre-Benson method if concurrence on the other side of the Capitol were a possibility. The democrats are anxious to recapture the farm belt votes but aren't sure whether rigid parity is the answer. The "revolt" against flexible supports didn't materialize, except spottily. But the demmies figure that rejection of any part of the Eisenhower-Benson farm plan will be helpful if the economic status of the farmer isn't better next year.

The Upper Colorado River basin project is the only large development program on the Eisenhower schedule. Naturally, the heat will be turned on in January. The Administration must take to the polls an affirmative record of natural resources development, and it's the Colorado River or nothing. The outlook seems good. The Senate has approved the plan, largely on the basis of democratic senators advocacy. The lobby working on House members was more effective. But the measure wasn't defeated; it was delayed.

This miscellany of legislation which, it appears, might be cleared up in a single month if attacked without the distraction of new business, lends some

weight to the belief that the President will call a special session. But there are more powerful reasons to believe he won't. The history of special sessions demonstrates that Congress members reluctantly return to the chores they have so lately abandoned for a respite. They bring with them a very large measure of legislative sales resistance, and cooperation ebbs to new lows. Speaker Sam Rayburn has publicly warned Ike not to chance a special session. While Rayburn's interest is in avoiding the bother to his party stalwarts, there also is GOP concern: If Ike convenes Congress in special session to enact planks of his campaign platform he might find the answer in disastrous defeat.

But whether it's in special or regular session, the next convocation will find tax reduction a No. 1 battleground. The idea of cutting the Federal levies is no Johnny-come-lately to White House planning, much as the democrats have sought to convince the public that the President became interested in the subject only after they almost put over a cut in individual income tax payments. In his Economic Report to Congress 'way back in January, Ike asked the lawmakers to be planning to enact "a general, though moderate, reduction in taxes" . . . in 1956. Both parties will be early in the field with tax reduction measures. They'll differ in some particulars, and it's certain that the democrats will suggest the benefits flow wholly to individuals, asserting that corporations already have had their cut.

Tax is one side of the Administration record that doesn't justify boast. One of the firmest promises made by the G.O.P. in 1952 was a balanced budget. It is academic to offer in answer that conditions made this impossible; the average taxpayer who pays any attention to the subject simply analyzes it as a promise made and not fulfilled. Deficit financing is as much a fact today as it was in the Roosevelt-Truman era. While revenues exceeded estimates for the fiscal year ended June 30, there was a deficit of more than $4 billion. In the current fiscal year there will be an operating deficit of about $2.5 billion. If, as now talked, a tax cut is voted effective in the last half of the current fiscal year, hope for balance of the budget washes out. Economies short of shutting down essential Federal functions aren't in sight.

Senator Harry F. Byrd, the conservative democrat who has masterminded most of the economies for which others have taken the bows in recent years, still opposes tax cuts. He has had his way, up to a certain point, in other issues but it is not so certain that he will prevail on this. He opposed continuing the present national debt ceiling but compromised on a program that will force it down next year. Senator Styles Bridges, chairman of the Republican Policy Committee, has joined with Byrd on the tax subject. That puts both parties behind a concept of no tax cuts before budget balance. But that concept will evaporate before the practical politics of early 1956.

The Democratic National Committee has obliquely confirmed growing belief in the Capital that "big business" will be the demmies target and central issue in the next campaign: Big business and its partnership in running the Eisenhower Administration. The Dixon-Yates blooper and the Talbott probe, followed by his resignation from the kitchen Cabinet, are central pegs on which the drive will be hung. The worry that lurks within the ranks of the highly-placed partymen is that this involves a frontal attack on General Eisenhower. They'd like very much to sidestep that. But the campaign cannot proceed along this line without laying blame directly at Ike's door.

Practical politicians have seen the "special interests" attack win elections though the history of the United States. The Roosevelt and Truman elections rode the slogan to a fare-thee-well, and collected at the polling places. The cases of Harold E. Talbott and Adolphe H. Wenzell can be rationalized and explained away in calm, clinical examination of the facts, but who ever heard of such appraisal in a campaign!

5 ★ ★ ★ Potential MARKET LEADERS

By

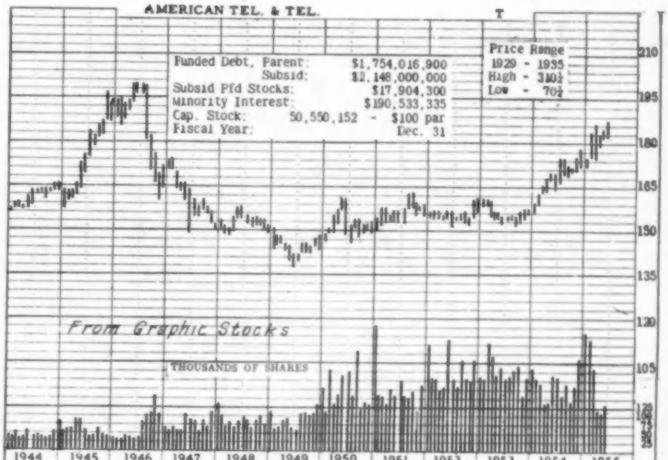
THE MAGAZINE OF WALL STREET STAFF

The selection of potential market leaders, an annual feature of The Magazine of Wall Street for many years, has posed some especially difficult problems at this time. In the first place, most stocks of leadership quality have risen to extraordinarily high levels in the past two years. This naturally tends to limit their attractiveness from the standpoint of the average investor who is chiefly interested in obtaining substantial price appreciation. Under existing conditions, therefor, the number of stocks from which a desirable selection of potential leaders can be made is necessarily restricted.

In the second place, the market itself has shown some signs of deterioration in recent weeks so that investments made at this time are subject to the normal hazards when the market trend turns uncertain.

Despite these drawbacks, it is still possible to make suitable selections of stocks destined for future market leadership, provided each stock meets the following qualifications: (1) it must represent a company of demonstrated growth capabilities (2) the stock should be at a reasonable price level, in relation to current as well as prospective earnings (3) it should offer a yield that is reasonably adequate in comparison with the abnormally low yields on most stocks of similar calibre (4) It should be a stock that normally retains the support of institutional investors, thus providing assurance of a broad and stable market (5) it should possess at least one unusual feature relating to significant new developments that could attract widespread public investment.

Many leading stocks, of course, possess all or most of these attributes but are now disqualified from inclusion in our list of potential market leaders, either because of excessively high market price or low yield. We believe the five we have selected conform to an unusual degree to the requirements specified. These common stocks are: American Telephone & Telegraph; American Tobacco; General Dynamics; W. R. Grace; and Olin Mathieson. Descriptive comment and pertinent data will be found in each in the succeeding columns. It should be added that purchases should be on a sliding scale to take advantage of any temporary decline which may occur in the price of the issues.



1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	
8.76	8.78	10.23	7.66	9.86	9.70	12.58	11.00	10.09	11.32	11.42		EARN
9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00		DIV
134.7	115.3	188.0	325.8	186.6	23.2	.1	87.1	223.2	320.2	266.2	Wkg Cap'l	

AMER. TEL. & TEL. CO.

BUSINESS: As the largest public utility system in the world, the Bell System and subsidiaries owns and operates most of the telephone companies in the U. S. and is the largest manufacturer of telephone equipment, and a leader in many other electronic fields.

OUTLOOK: Aside from its obvious growth potentials as the leading telephone company, it is rapidly forging ahead as a major factor in many new industries, including television, atomic energy, electronics, guided missiles, etc. Its Bell system laboratories are among the most advanced in the world. It is this aspect which lends strength to the belief that A.T.&T. stock has not yet fully reflected the massive changes which are taking place in the essential nature of the company's activities. The normal progression of this company into fields directly related to the use of telephonic equipment is well understood by investors but not so much attention has been paid to more recent developments. Of particular interest is its advanced work in television, certain electronic achievements, as in guided missiles, which has an obvious connection with rocket propulsion. The telephone end of the business itself is expanding not only domestically but on a world-wide basis. The company is now laying the first telephonic cable to Europe. This will supplement radio-telephone channels. Earnings above dividends are constantly reinvested in new facilities and successful new financing through convertible debentures has been a post-war feature. From a long-range standpoint, A.T.&T. would make a suitable vehicle for "dollar-averaging" and is recommended as of genuine leadership quality.

DIVIDENDS: Payments have been made in each year since 1881 and for years have been at an annual $9 rate, together with "rights" for subscription to convertible debentures.

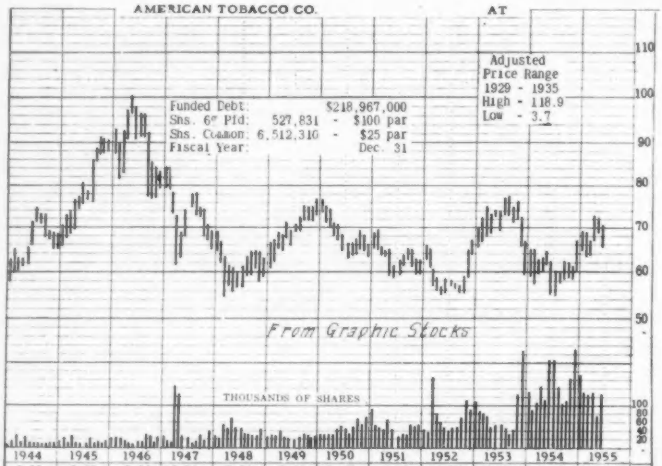
MARKET ACTION: Recent price of 180 compares with a 1954-55 price range of High—187⅜, Low—156. At current prices, it yields 5% which is above the rate now obtainable for stocks of similar calibre.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 460,549	$ 987,053	+$ 526,504
Receivables, Net	217,911	506,817	+ 288,906
Materials & Supplies	50,716	135,278	+ 84,562
TOTAL CURRENT ASSETS	729,176	1,629,148	+ 899,972
Plant & Equipment	5,702,057	14,135,542	+8,433,485
Invest. & Funds	307,468	655,008	+ 347,540
Other Assets	26,856	95,828	+ 68,972
TOTAL ASSETS	$6,765,557	$16,515,526	+9,749,969
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 613,839	$ 1,362,858	+$ 749,019
Other Liabilities	93,750	190,534	+ 96,784
Reserve for Deprec. & Amort.	2,051,763	3,665,903	+1,614,140
Other Def'd. Cr. & Reserves	14,370	2,732	— 11,638
Long Term Debt	1,268,725	4,019,146	+2,750,421
Sub. Preferred Stock	17,904	17,904	......
Common Stock	2,345,895	6,380,316	+4,034,421
Surplus	359,311	876,133	+ 516,822
TOTAL LIABILITIES	$6,765,557	$16,515,526	+$9,749,969
WORKING CAPITAL	$ 115,337	$ 266,290	+ 150,953
CURRENT RATIO	1.2	1.2	......

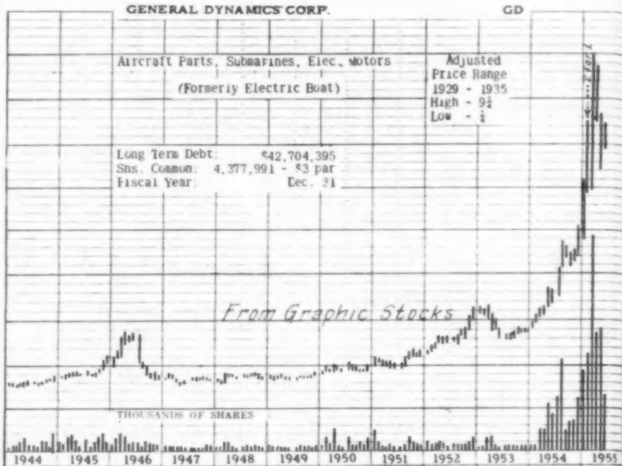
Five Potential Market Leaders

AMERICAN TOBACCO CO. AT



	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
EARN	3.68	3.69	5.96	5.70	7.58	7.90	7.17	5.57	4.79	5.90	6.12	
DIV	3.25	3.25	3.25	3.50	3.75	4.00	4.00	4.00	4.00	4.00	4.40	
Wkg Cap $ mil	311.3	314.8	318.6	366.7	441.4	450.8	459.6	456.0	551.2	548.3	550.4	

GENERAL DYNAMICS CORP. GD



	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
EARN	1.38	1.56	.99	.19	1.25	.07	.76	2.27	2.86	3.51	4.72	
DIV	.75	.75	•.62½	.50	.75	.75	.62½	1.00	1.12½	1.12½	1.62½	
Wkg Cap $ mil	15.3	16.8	16.9	16.8	16.3	15.0	19.4	22.1	34.4	62.4	67.3	

• Plus Pfd Stock

AMERICAN TOBACCO CO.

BUSINESS: As the largest company in the domestic tobacco business, American Tobacco has long been in the forefront. It manufactures such important cigarette brands as Lucky Strike, Pall Mall and Herbert Tareyton, and various others; also includes full line of smoking tobaccos, chewing tobacco and cigars.

OUTLOOK: Except for the interruption to the uptrend in cigarette sales in 1953 and 1954 through the "cancer scare", this company has forged ahead over the years, regularly reaching new peaks of output and sales. Despite the unfavorable results of the medical reports on cigarette smoking, the company actually increased its percentage of the domestic cigarette market, which was 33.6% in 1954, compared with 32.7% in 1953. Unless much more positive evidence is adduced that the effects of cigarette smoking may lead to cancer, it seems likely that the general effects of recent unfavorable publicity will wear off. In that case, most of the important cigarette manufacturers should resume their upward climb in sales with the increase in the adult smoking population. From this standpoint, American Tobacco may be considered a "growth" stock, though in an obviously more limited sense than with other "growth" stocks which possess a broader base of earnings. The stock possesses an important attribute with respect to its "defensive" character since this industry has in the past proved immune to past recessions in business. The management is of top quality. The tax feature is important for the industry and any reduction in excise taxes would prove especially helpful to earnings. The stock this year should earn close to $7 a share and prospects are for a satisfactory earnings period in 1956.

DIVIDENDS: Dividends are paid at the rate of $4.40 a share which is being covered by an increasing margin, thus contributing a greater degree of safety.

MARKET ACTION: Recent price of 73 compares with a 1954-55 price range of High—74¼, Low—55. At current prices, the yield is 6%, quite well above average for good-grade stocks. The stock is still in a buying range.

COMPARATIVE BALANCE SHEET ITEMS

	1945	1954	Change
	December 31 (000 omitted)		
ASSETS			
Cash & Marketable Securities	$ 26,334	$ 26,432	+$ 098
Receivables, Net	26,328	44,373	+ 18,045
Inventories & Supplies	334,453	627,752	+ 293,299
Other Current Assets	877	4,529	+ 3,652
TOTAL CURRENT ASSETS	387,992	703,086	+ 315,094
Net Property	18,694	47,189	+ 28,495
Investments	19,735	20,566	+ 833
Other Assets	57,088	4,523	— 52,565
TOTAL ASSETS	$483,509	$775,364	+$291,855
LIABILITIES			
Debt Due	$ 37,000	$ 91,575	+ 54,575
Accounts Payable	5,819	5,084	— 735
Tax Reserve	26,403	50,174	+ 23,771
Accruals	3,935	5,799	+ 1,864
TOTAL CURRENT LIABILITIES	73,157	152,632	+ 79,475
Other Liabilities	1,060	......	— 1,060
Long Term Debt	183,074	218,967	+ 35,893
Preferred Stock	52,700	52,783	+ 083
Common Stock	118,597	162,813	+ 44,216
Surplus	54,921	188,169	+ 133,248
TOTAL LIABILITIES	$483,509	$775,364	+$291,855
WORKING CAPITAL	$314,835	$550,454	+$235,619
CURRENT RATIO	5.3	4.6	— 1.7

GENERAL DYNAMICS CORP.

BUSINESS: In variegated fields such as aircraft, submarine electronics, atomic energy and industrial and marine motors.

OUTLOOK: From a company limited in former years practically exclusively to submarine building, General Dynamics has broadened its scope spectacularly and, in the truest sense, is a growth company. Its advanced position in the science of nucleonics as well as aircraft and electronics places this company in the forefront of corporations preparing for the new industrial age. In response to its forward-looking program, the company is engaged in expanding and modernizing its facilities, particularly with respect to nuclear energy. For this purpose, it has recently made "an original appropriation of $10 million for research laboratories to be devoted primarily to basic nuclear research and development." It has also strengthened its position in the electronics industry through the acquisition of Stromberg-Carlson. For the general development of plant, engineering and research, the company has additionally appropriated $13 million. Acquisition of Consolidated Vultee Aircraft, in addition to its original holdings in Canadair, Ltd. has placed General Dynamics in a strong position in aircraft manufacturing. The company is now in the earlier stages of a vast expansion along the most advanced lines relating to the latest scientific developments and is in a position to expand substantially in coming years, as it is among the first to be in a position, through research and development, to take advantage of the growing demand for the newer products. In recent years, earnings have been especially responsive to the large volume of defense orders but the peace-time application of the new sciences, in the longer run, will probably mean more to the company with respect to profits.

DIVIDENDS: Dividends (after the 2-for-1 split) are being paid at the rate of $2.15 a share annually, which is the present indicated rate for 1955.

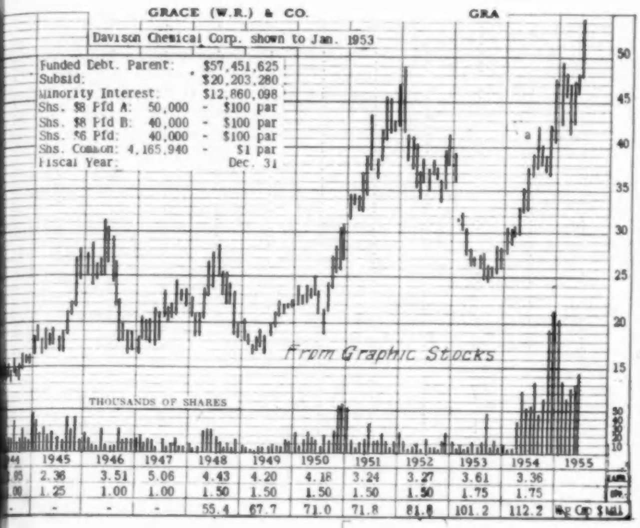
MARKET ACTION: The stock is now consolidating its position after its long rise and is now available at considerably lower levels than the peak. Recent price of 57 (adjusted) compares with 1954-55 High—80, Low—18.* At current prices, the yield is 3.7%.

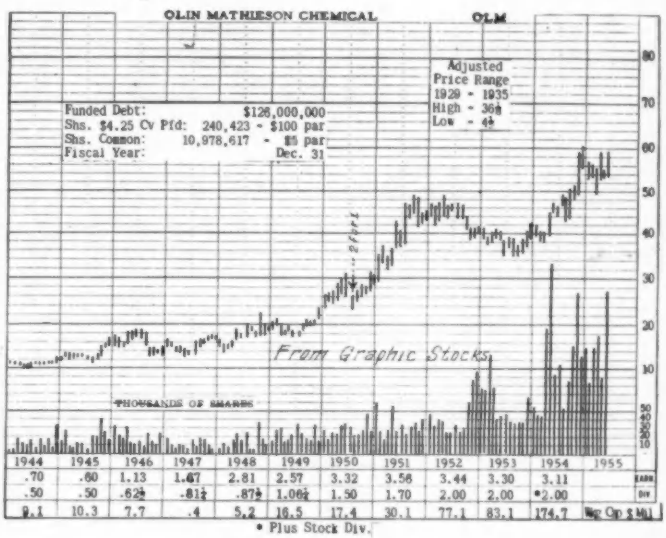
COMPARATIVE BALANCE SHEET ITEMS

	19 5	1954*	Change
	December 31 (000 omitted)		
ASSETS			
Cash & Marketable Securities	$ 10,969	$ 43,135	+$ 32,166
Receivables, Net	7,228	32,666	+ 25,438
Unreimbursed Expend.	1,025	66,929	+ 65,904
Inventories	1,121	64,584	+ 63,463
Prepayments	......	2,015	+ 2,015
TOTAL CURRENT ASSETS	$ 20,343	$209,329	+$188,986
Net Property	2,161	24,079	+ 21,918
Invest. & Rec.	013	4,087	+ 4,074
Other Assets	1,112	6,215	+ 5,103
TOTAL ASSETS	$ 23,629	$243,710	+$220,081
LIABILITIES			
Accounts Payable	$ 719	$ 44,211	+$ 43,492
Tax Reserves	2,470	21,571	+ 19,101
Accruals	308	23,686	+ 23,378
TOTAL CURRENT LIABILITIES	$ 3,497	$ 89,468	+$ 85,971
Other Liabilities	020	438	+ 418
Reserves	5,136	......	— 5,136
Long Term Debt	......	45,804	+ 45,804
Common Stock	2,087	13,709	+ 11,622
Surplus	12,889	94,291	+ 81,402
TOTAL LIABILITIES	$ 23,629	$243,710	+$220,081
WORKING CAPITAL	$ 16,846	$119,861	+$103,015
CURRENT RATIO	5.9	2.3	— 3.6

* Pro Forma.

Five Potential Market Leaders





W. R. GRACE & CO.

BUSINESS: Company is a diversified organization in four main lines of business: shipping, chemicals, manufacturing and trade in South America, and general business, including banking.

OUTLOOK: Although the company has been mainly identified with various undertakings in South America, it has in recent years made a striking advance into entirely new fields such as nuclear energy. Its extension into the chemical industry is especially noteworthy. This is accomplished through the three divisions: Grace Chemical, Davison Chemical and Dewey & Almy. It also has an arrangement with Phillips Petroleum for the production of "marlex", a polyethylene plastic. More striking even than these developments is the dynamic and expansionist character of the management. This is particularly true of the company's activities along the West Coast of South America where it is pursuing a determined policy of raising production and sales of its many products, including, in addition to many raw products and minerals, such items as textiles, paper, paint and food. The company foresees a period of economic peace in the Southern Hemisphere from which it expects to profit substantially. Inasmuch as W. R. Grace's experiences with Latin American countries have been more favorable than that of other American concerns, it may be expected that the company's expectations will prove justified. No doubt, the company's banking facilities prove of great aid in these projects. Mention must also be made of the unusually good prospects for Pan American Grace Airways, owned jointly with Pan American Airways. The company is in the initial, but impressive, phases of consolidation with much room to grow. Accordingly, the stock is in a particularly interesting position as a potentially valuable long-term investment.

DIVIDENDS: Dividends are paid at the annual rate of $2 a share, a conservative rate compared with earnings of probably close to double this amount in 1955.

MARKET ACTION: Recent price of 51 compares with 1954-55 price range of High—55¼, Low—27¾. At current prices, the yield is 3.9%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1948	1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 49,543	$ 74,155	+$ 24,612
Receivables, Net	17,926	41,727	+ 23,801
Inventories & Supplies	25,928	68,650	+ 42,722
Other Current Assets	......	3,003	+ 3,003
TOTAL CURRENT ASSETS	93,397	187,535	+ 94,138
Net Property	50,992	130,777	+ 79,785
Investments & Funds	24,298	52,964	+ 28,666
Other Assets	9,318	4,417	— 4,901
TOTAL ASSETS	$178,005	$375,693	+$197,688
LIABILITIES			
Debt Payable	$ 1,937	$ 13,967	+$ 12,030
Accounts Payable	20,026	31,549	+ 11,523
Tax Reserve	11,912	11,796	— 116
Other Current Liabilities	4,120	18,017	+ 13,897
TOTAL CURRENT LIABILITIES	37,995	75,329	+ 37,334
Other Liabilities	9,882	18,332	+ 8,450
Reserves	7,794	5,963	— 1,831
Long Term Debt	5,251	83,109	+ 77,858
Preferred Stocks	13,000	13,000	......
Common Stock	12,000	4,119	— 7,881
Surplus	92,083	175,841	+ 83,758
TOTAL LIABILITIES	$178,005	$375,693	+$197,688
WORKING CAPITAL	$ 55,402	$112,206	+ 56,804
CURRENT RATIO	2.4	2.5	+ .1

OLIN MATHIESON CHEMICAL CORP.

BUSINESS: Company formed by merger between Mathieson Chemical Corp. and Olin Industries, Inc., fifth ranking company in chemical industry and is one of the most highly diversified in that growth field.

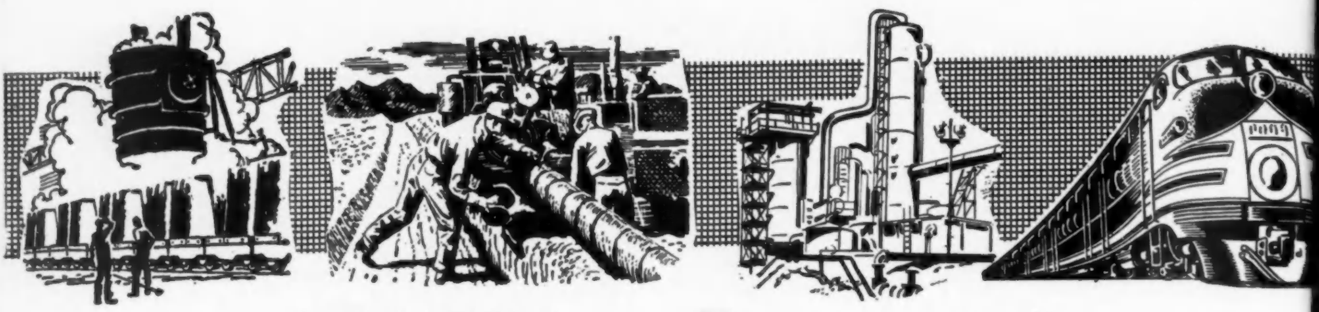
OUTLOOK: Its growth has been along the lines of (a) acquisition, (b) new additions and improvements of plants and (c) research and development of products. Through acquisition of E. R. Squibb & Son, it occupies an important position in the pharmaceutical industry. As a result of the Olin Mathieson merger, it has acquired an impressive position in both industrial and agricultural chemicals, constantly broadening its scope in these fields. Also, by lining up with the Tennessee Gas Transmission Corp., it has developed strongly in petrochemicals. Its vast complex of products is too numerous to cite in this restricted space but it is of importance to realize that the company now stands on a strong earnings base which is steadily growing wider. The management is dynamic and resourceful and, no doubt, will seek to expand the field of activities through various means. By increasing the number of its products, the company has protected itself against too great dependence on any single market and has thus achieved dependability of earning power through wide diversification. Since the merger and the acquisitions are of comparatively recent duration, it is probably safe to say that Olin Mathieson is in the earlier phase of its consolidation period, but that once the necessary groundwork has been completed, much more rapid progress is likely in the years ahead. For this reason, the stock can be considered likely material for potential market leadership, of which it is already giving evidence through the strength of the shares.

DIVIDENDS: Dividends are currently being paid at the rate of $2 a share and are being covered by a margin of about 50%.

MARKET ACTION: The recent price of 58 compares with a 1954-55 price range of High— 64⅞, Low—38. At current prices, the yield is 3.4%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 8,430	$ 54,792	+$ 46,362
Receivables, Net	1,761	48,532	+ 46,771
Inventories	2,446	121,588	+ 119,142
Other Current Assets	......	4,957	+ 4,957
TOTAL CURRENT ASSETS	12,637	229,869	+ 217,232
Net Property	13,964	199,791	+ 185,827
Investments	387	33,136	+ 32,749
Other Assets	1,088	11,428	+ 10,340
TOTAL ASSETS	$ 28,076	$474,224	+$446,148
LIABILITIES			
Debt Payable	$	$ 3,721	+$ 3,721
Accounts Payable & Accruals	720	36,138	+ 35,418
Accrued Taxes	1,587	15,216	+ 13,629
TOTAL CURRENT LIABILITIES	2,307	55,075	+ 52,768
Other Liabilities	386	3,988	+ 3,602
Reserves	1,082	10,824	+ 9,742
Long Term Debt	......	153,209	+ 153,209
Preferred Stock	2,378	23,492	+ 21,114
Common Stock	15,464	55,031	+ 39,567
Surplus	6,459	172,605	+ 166,146
TOTAL LIABILITIES	$ 28,076	$474,224	+$446,148
WORKING CAPITAL	$ 10,330	$174,794	+$164,464
CURRENT RATIO	5.4	4.1	— 1.3



1955 Midyear Re-appraisals of Values; Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for: Steel—Auto—Accessories—Aircraft—Airlines

Part V

The brilliant record made by business in the first half of the year seems likely to be duplicated in the second half but, in consideration of the extraordinary high plateau of business activity already reached by July, it would be close to a miracle if the same rate of gain could be achieved during the balance of the year. The favorable business background and outlook naturally has important implications with respect to future earnings and dividends. It should not be assumed however, that all industries are in an equally prosperous condition, despite the general speeding up of the economic pace. Some, such as coal, textiles, furniture and farm equipment which had experienced varying degrees of recession up to recently, are now showing signs of recovery but are still rather distant from substantially profitable operations. On the other hand, the major basic industries, such as steel, automobiles, public utility and such miscellaneous industries as rubber & tire, airlines, drugs and electronics are extremely active and give every indication of maintaining a high rate of profits until the end of the year.

Although the present large volume of business and satisfactory outlook has logically laid the foundation for expectation of an increase in the total amount of dividends to be paid this year, with numerous increases anticipated, the investor should be aware that during the first half a number of companies had already raised their dividends and that no further similar action is likely on their part during the next few months. On the other hand, there is an even larger number of companies in a highly prosperous condition which have thus far not increased their dividend rates though this clearly would be justified on the score of rising earnings.

The investor, in estimating dividend prospects, would do well not to raise his expectations indiscriminately, merely because the general dividend trend is up. He would do well to limit himself to an exploration of dividend possibilities among those companies with a steadily widening margin of earnings over dividends and which have not yet taken action to raise their dividends. It is also wise to recognize that a minority are still in uncertain dividend position which can lead to unfavorable action.

Subscribers and readers will be particularly interested in the ratings appended to each stock in the tables and individual comments. Ratings have been arranged to give the greatest practical service with respect to defining investment position and prospects for appreciation and income of the individual stock.

A) *A High-grade investment quality.* This includes stocks only of leadership quality, which meet in the highest degree the requirements of superior management, established position in the industry, substantial financial resources, proven record of earnings and dividends, and assured outlook for the long-range future.

B) *Good-grade.* This is limited to stocks which do not belong in the above category on all counts, but nevertheless represent soundly managed progressive companies, though of somewhat lesser investment grade.

C) *Speculative but improving.* Stocks mainly in cyclical industries, or which represent "marginal" companies.

D) *Unattractive.* Companies with a poor or irregular record.

To further assist our subscribers, we have added the symbols [1], [2], and *.

[1] These stocks appear to have better-than-average appreciation potentials, though this necessarily varies.

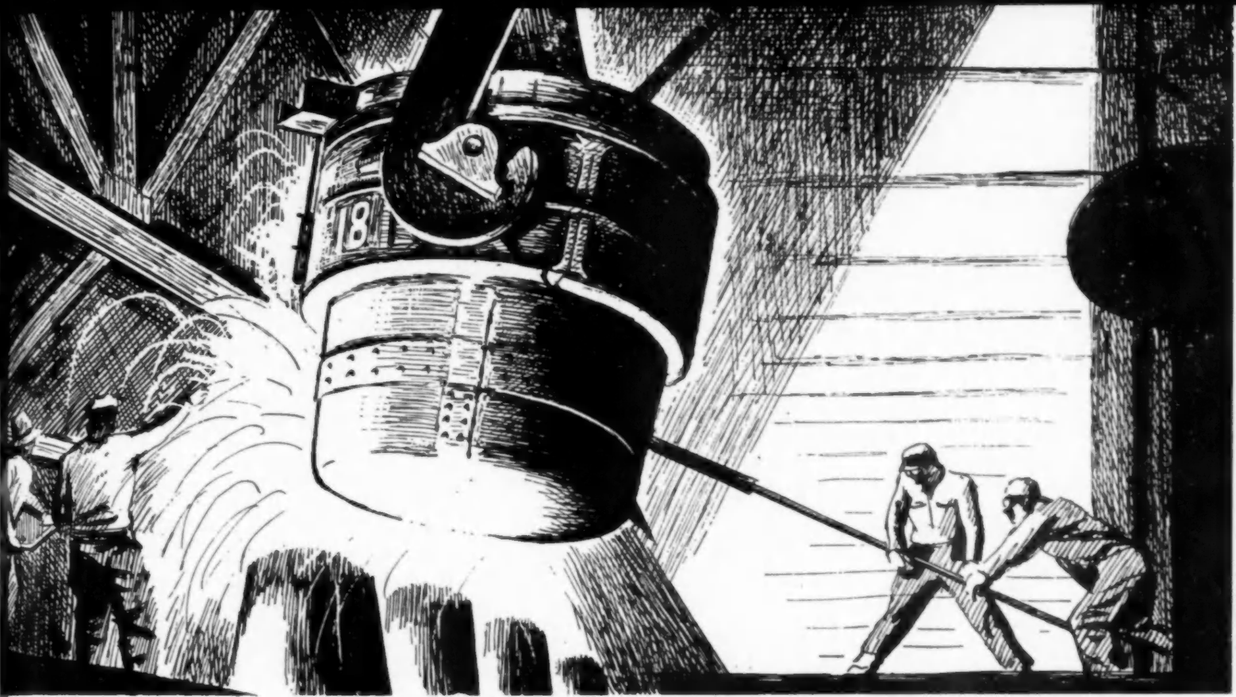
[2] These selective issues are limited mainly to stocks in "A" and are suited mainly for investors whose portfolio demands the best-grade growth stocks.

* This applies only to a limited number of stocks and which seem to possess the most attractive market potential of its group at this time.

Industries Featured in Mid-Year Forecast

— in six consecutive issues of The Magazine:

Railroads — Merchandising — Textiles — Food & Dairy — Sugar — Beverages — Tobacco — Rail, Elect., Farm, Office Equipments—Building —Machinery — Specialties — Steel —Auto & Tires — Accessories — Aircraft — Airlines — Bus & Truck — Shipping — Metals — Petroleum — Chemicals & Drugs — Paper.



CAN STEELS MAINTAIN THEIR FAST PACE?

By H. F. TRAVIS

The steel industry, currently completing the st nine months period of any year in its history, ppears to be on the threshold of even better times. rom here on, however, the rate of increase in its rnings may be slower than has been the case durg the last year.

Signs have accumulated that the annual demand r steel is greater than present theoretical capacity approximately 126 million tons a year. The shorte of certain products appears to be so pressing at there is every indication that steel operations ll remain at close to capacity levels through the t quarter of this year possibly until the end of ne, 1956. Under those conditions, the steel instry will be generating earnings in the second half least as large, and possibly larger than the recd-breaking profits chalked up in the second quarr of this year.

The long range outlook of representative steel cks is even better than the short range outlook. r capita use of steel is rising owing to the imoved standard of living in the country. The growth population is proceeding at a rate which is surssing even the most optimistic forecasts of a year two ago. Under these conditions, the steel induswill probably have to increase its capacity, over next decade, at the rate of somewhere between million and 5 million tons a year, or close to 3 per nt annually. Hence, steel stocks are emerging as ractive growth situations, which afford the intor an excellent return, as well as fine prospects of appreciation.

The steel stocks, of course, will not be immune to any general reaction in business or in the stock market. If the stock market, for example, were in 1956 to begin to discount a possible short term dip in consumer purchases of autos and other products in 1957, the steel stocks would reflect this uncertainty.

At present, however, the steel stocks appear to be in a position to offer protection to the investor against a continuation of the inflationary process which was touched off this year by larger-than-normal wage settlements with the leading unions. The American economy cannot grant wage rises running at the rate of 10 to 20 cents an hour without raising prices.

There is every indication that in 1956, wage and fringe rises running in the neighborhood of 10 to 15 cents an hour will again be quite common, forcing many industries to raise prices slightly. The steel industry demonstrated in 1954 that it was able to raise prices to offset wage increases, even when operations were at only 70 per cent of capacity.

The Price Rise

This year, the boost of $7.50 a ton in steel products was placed into effect with the greatest of ease, when the steel industry found it necessary to grant a stiff wage boost of 15 cents an hour to the United Steel Workers. Next *(Please turn to next page)*

year, steel will face new demands from the steel union on pensions and other fringe benefits, including supplemental unemployment compensation, when the present two year pact expires. Even before that settlement is effected, however, it is likely that steel prices will be increased again, possibly in six to nine months, to offset higher costs of scrap and other purchased goods and services. Another wage rise—the third in a year—may be instituted after the industry enters into a new contract with the steel union next year.

In short, the steel industry, unlike many industries which are experiencing a profit squeeze as costs rise, has demonstrated that it is able to pass along any wage rises, if its operations are at 70 per cent of capacity or above that level. Below 60 or 65 per cent of capacity, the individual steel producers would probably find competition for new business too keen to permit them to raise prices. Under those conditions, the industry would probably have to go through a long strike, during which inventories of steel would be depleted, before the producers could reach a settlement with the union. But government policy today calls for aggressive counter-deflationary moves when industrial output declines as much as 10 per cent.

The steel industry appears to be in a strong position to enjoy continued prosperity for the following reasons:

The industry has, to a great extent, lost its cyclical characteristics. Light steel products such as are used by the auto, appliance and other consumer goods industries, now account for two-thirds of all steel output. The steel industry is no longer largely dependent on the cyclical railroad and machinery industries. It can enjoy a fair degree of prosperity even when those capital goods lines are not ordering steel freely, as was the case in the first half of 1954.

The industry has succeeded in reducing its break even point in recent years. Today, leading producers could probably operate in the black at 50 per cent of capacity or less. This has been accomplished by getting a slightly more adequate price structure, in relation to costs. It has also been achieved by a huge multi-billion dollar investment program, which has reduced the labor content of each ton of steel produced.

The Backlog for Steel

Through accelerated amortization, the steel industry has speeded up its "cash flow". As a result, it can offset, in part, the impact of inflation on the replacement of plants and equipment. Too often, industries in the past have discovered that inflation has rendered completely inadequate the depreciation reserves that were set aside each year for the replacement of plants. Even if accelerated amortization is ended through a change in national policy ending such incentives to new construction, it is likely that the steel industry will be able to meet that situation. It can take advantage of the Revenue Act of 1954 to write off existing facilities more rapidly. And it can price its products in such a way as to generate larger profits and a larger cash flow.

The steel market has grown enormously and appears capable of further large growth. Aside from the improvement in consumer spending for autos and other products made of steel, there is a backlog of $200 billion of public projects, including highways, schools, sewers and water lines, etc.

The export market has grown substantially in the last two years, as a result of the boom in Europe. This market could absorb more steel, were additional supplies available at present.

The steel industry has greatly improved its relations with labor during recent years. This has made it possible to improve productivity, reduce the number of wildcat strikes, etc.

The industry has greatly broadened its reserves of iron ore in recent years. The basis has been laid for an expansion in steel ingot capacity.

The Dividend Outlook

Already this year, many steel companies have given recognition to the improvement in their outlook by increasing dividends and by voting stock splits. During the fourth quarter, it is likely that other steel companies will take action along this line. In some cases, where stock splits have already taken place, extras may be voted.

The improved return enjoyed by the steel shareholders is long overdue. For many years, the industry has accorded its investors an inadequate return in comparison with other great industries. The improvement in dividends will give the industry a better investment rating, and will make it easier to carry out equity financing, when it becomes necessary to do so to pay for new investments in plant and equipment.

The return of capacity operations to the steel industry this year may present interesting speculative possibilities among the secondary steel stocks including such issues as Pittsburgh Steel, Sharon Steel, Colorado Fuel & Iron, Granite City Steel, and Lukens. These companies were hard hit in 195[illegible] when their operations declined sharply. In many cases, their slump was sharper than that of the industry as a whole, for these companies had been charging "premium" prices, over and above the going prices charged by major steel companies, during the period from 1950 to 1953, when steel shortages were acute. When the shortages ended, some of these smaller companies lost many of their customers and their operations dropped sharply.

Now capacity operations have returned to all steel producers and operations may remain at a high level for a year or more. Some of the smaller steel companies may decide against returning to premium pricing tactics, to assure a more loyal consumer group. But in any event, earnings of this group have sharply increased, and in many cases they are in position to step up dividend payments. In some cases, such dividend action may be deferred, because the steel companies may decide that it would be better to plow some of the increased earnings back into plants and equipment, to reduce production costs or to acquire a better diversified line of products.

Outlook for Marginal Companies

In any event, if it is true that steel operations may remain near capacity levels for a year or more, the position of the marginal steel companies will be greatly improved. Their securities as a group do not reflect anticipation of continued high level production to the extent that the stocks of major steel companies already do. (*Please turn to page 72*[illegible])

Position of Leading Steel & Iron Companies

	1st 6 Months: Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	Full Year: Earned Per Share 1953	Earned Per Share 1954	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
ACME STEEL .... W.C. (mil.) '53—$15.7 W.C. (mil.) '54—$17.2	$ 41.2	$ 53.3	4.7%	6.3%	$ .99	$ 1.71	$ 3.35	$ 1.88	$ 1.60	$ 1.70	32⅞- 20½	30	5.6%
ALLEG. LUDLUM STEEL W.C. (mil.) '53—$34.6 W.C. (mil.) '54—$36.7	85.2	116.3	2.2	5.7	1.01	3.69	4.40	2.30	2.00	2.20	59¼- 28¼	54	4.0
ARMCO STEEL .... W.C. (mil.) '53—$134.1 W.C. (mil.) '54—$143.2	267.0	329.5	7.7	8.8	1.82	2.65	3.25	3.93	1.50	1.80	46⅞- 16⅝	41	4.3
BETHLEHEM STEEL ...... W.C. (mil.) '53—$401.6 W.C. (mil.) '54—$500.1	884.7	1002.0	6.6	8.2	5.77	8.25	13.30	13.18	5.75	7.25	160¾-147⅞	145	5.0
BYERS, A. M. .... W.C. (mil.) '53—$6.3 W.C. (mil.) '54—$5.8	10.8[1]	16.1[1]	(d)5.0[1]	(d) .9[1]	(d)2.91[1]	(d)1.41[1]	3.65	(d)3.22	.50	....	36¼- 15½	27	......
CARPENTER STEEL ...... W.C. (mil.) '53—$10.5 W.C. (mil.) '54—$10.0	35.5[2]	30.5[2]	6.1[2]	6.5[2]	5.14[2]	4.70[2]	7.57	5.95	3.00	3.50	73 - 40½	71	4.9
COLO. FUEL & IRON .. W.C. (mil.) '53—$56.8 W.C. (mil.) '54—$60.6	n.a.	n.a.	n.a.	n.a.	2.46[3]	3.79[3]	3.09	2.46	........[5]	1.47	30 - 15⅜	28	5.2
CONTINENTAL STEEL.. W.C. (mil.) '53—$8.2 W.C. (mil.) '54—$9.4	19.2	23.7	4.6	6.7	1.79	3.16	3.20	3.98	2.00	2.40	37¾- 15½	36	6.6
CRUCIBLE STEEL .... W.C. (mil.) '53—$39.1 W.C. (mil.) '54—$38.9	84.5	114.8	1.5	5.4	.79	4.50	5.29	2.80	........[6]	2.00	48¾- 21¾	44	4.5
GRANITE CITY STEEL.... W.C. (mil.) '53—$13.3 W.C. (mil.) '54—$17.5	33.4	55.0	4.0	9.9	.61	2.93	3.77	2.04	........[7]	.70	35⅝- 14½	33	2.1
INLAND STEEL .... W.C. (mil.) '53—$145.6 W.C. (mil.) '54—$158.1	280.0	315.0	6.8	7.4	3.92	4.33	6.90	7.92	3.75	4.50	80 - 40⅞	78	5.7
INTERLAKE IRON .... W.C. (mil.) '53—$19.7 W.C. (mil.) '54—$27.1	31.6	48.2	3.9	8.3	.63	2.05	2.96	1.61	1.50	1.50	29⅜- 14⅜	28	5.3
JONES & LAUGHLIN ST. W.C. (mil.) '53—$102.6 W.C. (mil.) '54—$123.9	261.3	331.2	4.6	6.8	1.84	3.51	4.77	3.80	2.00	2.25	45⅜- 19¾	43	5.2
KEYSTONE ST. & WIRE W.C. (mil.) '53—$16.4 W.C. (mil.) '54—$18.3	81.1[3]	101.3[3]	7.0[3]	9.4[3]	3.04[3]	5.07[3]	2.87	3.04	1.60	2.00	46¾- 20⅝	46	4.3
LUKENS STEEL .... W.C. (mil.) '53—$12.0 W.C. (mil.) '54—$13.8	54.8[4]	51.4[4]	3.1[4]	1.8[4]	5.46[4]	2.99[4]	11.35	6.34	2.50	2.00	51¾- 38⅜	41	4.8
NATIONAL STEEL .... W.C. (mil.) '53—$135.6 W.C. (mil.) '54—$121.7	251.8	308.3	5.1	7.4	1.77	3.13	6.71	4.13	3.00	3.00	72¾- 46	67	4.4
PITTSBURGH STEEL ...... W.C. (mil.) '53—$20.8 W.C. (mil.) '54—$24.7	60.9	84.6	.5	3.0	(d) .25	1.38	2.61	.62	........[6]	........[8]	30⅝- 12⅞	24	......

W.C.—Working capital.
(d)—Deficit.
n.a.—Not available.
[1]—9 months ended June 30.
[2]—9 months ended March 31.
[3]—Year ended June 30.
[4]—36 weeks ended July 2.
[5]—Paid 7½% stock.
[6]—Paid 8% stock.
[7]—Paid 6% stock.
[8]—Paid 2% stock thus far.

Position of Leading Steel & Iron Companies (Continued)

	1st 6 Months						Full Year						
	Net Sales		Net Profit Margin						Dividend Per Share				
	1954	1955	1954	1955	Net Per Share		Earned Per Share			Indicated	Price Range	Recent	Div.
	(Millions)		%	%	1954	1955	1953	1954	1954	1955	1954-55	Price	Yield
REPUBLIC STEEL .... W.C. (mil.) '53—$192.3 W.C. (mil.) '54—$226.3	$ 432.6	$ 570.6	5.7%	8.0%	$ 1.65	$ 2.68	$ 4.63	$ 3.55	$ 2.43	$ 2.62	48½- 23¾	44	5.9%
SHARON STEEL .... W.C. (mil.) '53—$36.3 W.C. (mil.) '54—$34.2	47.9	83.6	1.3	5.3	.59	4.08	6.10	2.85	2.50	2.50	46⅜- 27⅛	42	5.9
U. S. PIPE & FDRY. ...... W.C. (mil.) '53—$27.1 W.C. (mil.) '54—$29.9	n.a.	n.a.	n.a.	n.a.	4.73	5.41	7.37	9.74	4.00	4.00	109¾- 36½	101	3.9
U. S. STEEL .... W.C. (mil.) '53—$347.6 W.C. (mil.) '54—$753.5	1,670.8	1,968.1	5.6	9.0	1.56	3.10	3.77	3.23	1.50	2.00	57½- 19½	52	3.8
WHEELING STEEL .... W.C. (mil.) '53—$64.3 W.C. (mil.) '54—$64.0	94.9	119.0	4.6	5.6	2.45	3.32	7.49	5.48	3.00	3.00	58⅞- 30⅛	52	5.7
WOODWARD IRON .... W.C. (mil.) '53—$ 9.5 W.C. (mil.) '54—$14.7	n.a.	19.8	n.a.	20.2	3.62	5.69	7.86	8.25	4.00	4.00	96 - 39⅜	91	4.3
YOUNGS. SH. & TUBE W.C. (mil.) '53—$159.3 W.C. (mil.) '54—$183.0	223.4	297.0	4.0	6.0	2.71	5.35	9.21	6.02	3.75	3.75	93¾- 38	89	4.2

W.C.—Working capital. **n.a.—Not available.**

Acme Steel: General improvement in business has enabled company to increase sharply shipments of strapping and other industrial products; earnings in first half should be sustained in second half. C

Allegheny Ludlum Steel: Producer of alloy and quality steels has enjoyed much larger gain in earnings owing to recovery of operations from depressed level. Better dividend appears safe through 1956. B[2]

Armco Steel: Big expansion program should increase earnings first half, net equalled $2.65 a share against $1.80 a share in same period of 1954. B[2]*

Bethlehem Steel: Earnings of this company should continue to show improvement during rest of 1955, with net of $18 a share likely for the year. Shipbuilding business improvement. Stock split possible in next six months. B[1]*

A. M. Byers: Producer of wrought iron pipe has shown recovery this year after operating in the red in 1954. D

Carpenter Steel: Sharply improved outlook for alloy steels, as a result of price boosts and better demand should be sustained. Declared extra dividend in July. C

Colorado Fuel & Iron: Earnings for quarter ended June 30 were more than three times as large as 48 cents a share for same period of 1954. Better demand from railroads and other users of heavy steel points to continued high earnings. C[1]

Continental Steel: Producer of wire and light weight steel for farm and auto industry has enjoyed excellent gain in earnings. Outlook excellent. C[2]

Crucible Steel: Alloy steel producer has shown fivefold gain in earnings on sales boost of about 50 per cent in second quarter. C

Granite City Steel: Enlarged facilities and better demand have increased nearly fivefold in first half, an increase in sales from $33 million to $55 million. Located in area of active growing demand for steel. C[1]

Inland Steel: Current expansion of capacity should aid earnings next year. This year's net has failed to show gain of rest of industry, since company was operating close to capacity in 1954. Excellent location. B[2]*

Interlake Iron: Pig iron producer set record in volume and earnings in first half. Net showed fourfold gain for first half, rising to $2.05 a share on increase of 50 per cent in sales. C

Jones & Laughlin Steel: Earnings in second quarter rose to $2.01 a share from 96 cents a year ago, on sales gain of 34 per cent. Dividend increased. Earnings should continue in second half at or better than second quarter rate. C[1]*

Keystone Steel & Wire: Earnings in year ended June 30 were equal to $5.07 a share, against $3.04 in previous year. Improved demand from farm market for fencing and sheets. C

Lukens Steel: Semi-integrated producer and maker of fabricated products is a volatile performer. Earnings in current fiscal year have been disappointing, but strong position in clad metals may aid earnings for long term. C[2]

National Steel: Reorganization of Great Lakes Steel subsidiary has been followed by good improvement in earnings. Second quarter net $1.61 a share, against 90 cents in same period of 1954. Dividend increase a possibility. B[2]*

Pittsburgh Steel: Completion of big expansion program should enable company to show improvement in earnings from current level. Increased sales to auto industry aids outlook. C[1]*

Republic Steel: Fourth quarter net should set new record, surpassing $1.50 a share shown for second quarter of this year. Net for year should be over $5.50 a share. B[2]*

Sharon Steel: This marginal producer has shown extraordinary recovery in earnings to $4.08 a share in first half, against only 58 cents a share in same period of 1954. Dividend improvement likely. C[1]*

U.S. Pipe & Foundry: Company has been enjoying benefit of big activity in construction of water, gas and sewer systems, which use cast iron pipe. Earnings will fluctuate with trends in construction industry. C

U.S. Steel: Leading producer has shown unusual gain in efficiency, with net rising to $1.85 a share in second quarter, more than double same period of 1954. Should share in general upturn in fourth quarter. A[2]*

Wheeling Steel: Conversion of debenture issue has diluted share earnings. Nevertheless, showed $1.91 a share for second quarter, and price rises on fabricated products should at least maintain this level of earnings. C[2]

Woodward Iron: Southern pig iron producer has shown excellent stability of earnings. Gain in profits this year should mean extra dividend. B[2]

Youngstown Sheet & Tube: Company has come close to doubling 1954 earnings for first half, showing net of $5.35 a share. Should equal or exceed this performance in second half. Excellent location in Ohio and Chicago areas. B[2]

RATING: A—High-grade Investment Quality. B—Good-grade. C—Speculative but improving. D—Unattractive.

[1]—Better-than-average market potentials; [2]—For long-term growth. *—Most attractive of group at present prices.

We believe this survey of the position and outlook for the vitally important automobile industry to be of the greatest value not only to investors in automobile and related issues but to investors generally.

Auto Makers Look To 1956

By J. C. CLIFFORD

"How much longer can they go on selling cars at this pace?" is a question frequently put these days as the automotive industry produces a record number of vehicles. Of course, there can be no definitive answer, but a clue to the longevity of the boom in auto sales may be found in the type of retailing that has kept the wheels turning.

Auto dealers, ranging from the sellers of the most popular low-priced cars all the way up to the luxury chariots, virtually plead with the public to buy now and pay later. A typical advertisement states the dealer will buy your present car, permit you to keep the cash and then sell you a new car without a down-payment, giving you 36 months to pay. The dealer even offers to throw the insurance premiums into the package. As for the buyer, in many instances he is eligible to borrow under the G. I. bill, decides on a convertible ("Why settle for less—there's no money down?"), takes 36 months to pay, finds the monthly carrying charges too much for him, yet keeps the car because to sell it would entail paying the bank or lending agency several hundred dollars more than the price it would bring.

Nor is 36 months to pay standard procedure. Many purchasers now are getting 38 and even 42 months to amortize their cars. Thus, the buyer, in such instances, may be said to be renting, rather than buying, for when terms extend over such a long period depreciation catches up and passes the payments. Such a development encourages repossession. As long as consumer income remains at a high level the problem is not pressing, although far-sighted Federal officials and private lending agencies are urging a measure of moderation and common sense. While delinquencies in auto loans this year are running at little more than 1%, the rate of repossession can rise with a downturn in business.

6-Month Sales at Merry Clip

Motorists in the first six months of 1955 took delivery of 3.8 million new cars, a rise of 36% from the first half of 1954. But inventories were much higher, too. At June 30, there were about 680,000 unsold new cars in dealers' hands, a jump of 17% from a year earlier (when many retailers were overstocked). Dealer sales are showing the usual signs of a summer letdown. Sales in June dropped to 684,000, off 1.6% from May and the lowest for any month since February.

Yet the rate of gain in sales from 1954 continued well into July. In the year to July 20, dealers moved 4,233,000 units, or 36.7% more than the 3,097,000 sold in the corresponding 1954 period. As July drew to a close there were some 717,000 new cars with the dealers, up 25% from a year earlier. With 1956 model introductions planned for late September and October, little time remains for dealers to whittle inventories of 1955 cars. To clear showrooms of present models before the new cars bow in, Ford Motor Co. and Chrysler Corp. have offered sizable bonuses to dealers as a sales incentive. Bonuses, ranging to $300 on a car, often are passed on to the buyer in the form of a (*Please turn to page* 732)

Statistical Position of Automobile and Truck Manufacturers

	1st 6 Months						Full Year						
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share	Indicated	Price Range	Recent	Div.
	1954	1955	1954	1955	1954	1955	1953	1954	1954	1955	1954-1955	Price	Yield
AMERICAN MOTORS W.C. (mil.) '53—N.A. W.C. (mil.) '54—$82.5	n.a.	$348.0[1]	n.a.	(d)1.3%[1]	n.a.	(d)$ .80[1]	n.a.	(d)$1.95	$ .37½	$	18⅛- 9⅝	9	....
CHRYSLER W.C. (mil.) '53—$199.4 W.C. (mil.) '54—$206.8	$1.085.3	1.884.6	1.4%	3.7	$ 1.81	8.04	$ 8.59	2.13	4.50	4.50	92¾-56¼	83	5.4%
DIAMOND T W.C. (mil.) '53—$9.2 W.C. (mil.) '54—$9.3	12.6	18.0	(d)1.2	(d) .2	(d) .38	(d) .11	2.07	(d) .49	.50	......	17½-10⅜	18	....
FAWICK CORP. † W.C. (mil.) '53—$2.9 W.C. (mil.) '54—$2.5	n.a.	n.a.	n.a.	n.a.	.32	.34	(d) .29	.54	.10	.10	8⅝- 3¼	7	1.4
FRUEHAUF TRAILER W.C. (mil.) '53—$53.0 W.C. (mil.) '54—$56.7	69.7	99.8	3.2	3.7	1.38	1.77	4.46	2.44	2.00[2]	2.00[2]	47⅞-23⅛	41	4.8
GENERAL MOTORS W.C. (mil.) '53—$1.236.1 W.C. (mil.) '54—$1.350.5	5.066.0	6.512.6	8.3	10.1	4.79	7.13	6.69	9.06	5.00	6.00	138 -58¾	125	4.8
KAISER MOTORS CORP. W.C. (mil.) '53—$46.1 W.C. (mil.) '54—$18.9	n.a.	48.6[4]	n.a.	2.4[4]	(d)1.13[4]	.18[4]	(d)4.08	(d)5.36	......	......	5 - 1½	3¾	....
MACK TRUCKS W.C. (mil.) '53—$47.0 W.C. (mil.) '54—$50.0	55.0	83.7	.6	3.9	.23	2.05	1.63	.85	[3]	......	32¼-12½	29	....
STUDE.-PACKARD W.C. (mil.) '53—$40.6 W.C. (mil.) '54—$64.8	n.a.	288.5	n.a.	(d)3.3	n.a.	(d)1.50	n.a.	4.06	......	......	15⅜-10	10	....
TWIN COACH W.C. (mil.) '53—$6.1 W.C. (mil.) '54—$7.3	n.a.	n.a.	n.a.	n.a.	1.40	(d) .38	1.42	2.73	.60[2]	.70	18⅜- 6¾	11	6.3
WHITE MOTOR W.C. (mil.) '53—$58.7 W.C. (mil.) '54—$60.0	79.4	85.1	2.9	3.4	2.24	2.83	6.20	5.37	2.50[2]	2.50[2]	49⅞-27	48	5.2

W.C.—Working capital.
(d)—Deficit.
n.a.—Not available.
[1]—9 months ended June 30, 1955.
[2]—Plus stock.
[3]—Paid stock.
[4]—Quarter ended March 31.
†—Formerly Federal Fawick Corp.

American Motors: Merger benefits more apparent now with company finally getting into the black. Appliances should help earnings, but many problems remain. No dividends paid or likely over near term. C

Chrysler: Restyling has resulted in stunning comeback, make it once again a topnotch competitor. Retention of present position could lead to dividend boost and stock split. B[2]

Diamond T: Despite sales gain, deficits continue for this small truck-maker. Merger is rumored. Dividends suspended a year ago. D

Fawick: Formerly Federal Fawick, company operates through three divisions and has considerable diversification. Showing for year should equal, at least, 1954 net. C

Fruehauf Trailer: Leader of the truck-trailer field, has paid some dividend each year since 1934. Also pays stock dividends. Ranks as one of the better-grade equities in the industry. B[2]

General Motors: Earnings for year should approximate $12 a share. Dividend boosted and stock split proposed for this maker of more than half of the cars sold by the industry. Company also is giant in such varied fields as appliance, locomotive and aircraft engines. A[2]*

Kaiser Motors: Moved into black this year, after sustaining deficits since 1948. Has benefited from centering operations at Toledo. Overseas interests hold promise. Dividend remote. D

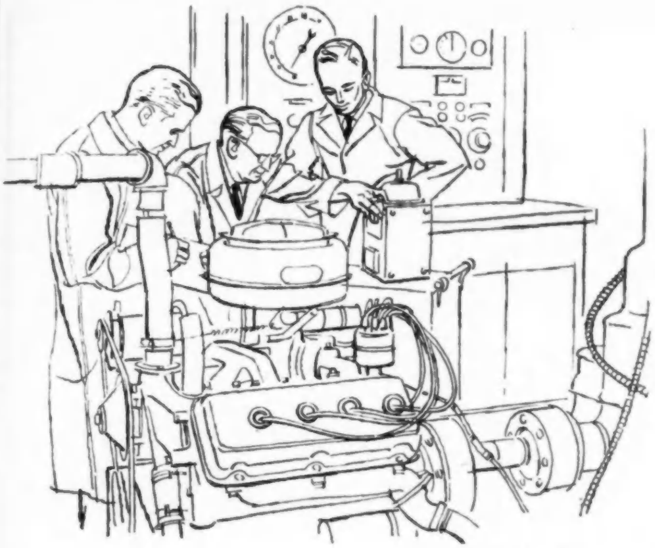
Mack Trucks: Leader in the field of heavy trucks. Has made impressive showing this year. Merger often rumored. Dividend resumption over near term is likely. C

Studebaker-Packard: Merger has permitted production economies and strengthened competitive position. May seek another merger or move into other fields as part of a diversification program. Dividend not likely in forseeable future. C

Twin Coach: Stretchout of aircraft schedules has cut into volume, but orders on hand and in prospect indicate improvement through balance of year. Paid some dividend yearly since 1946. Stakes have been acquired in varied fields in an effort to stabilize earnings. D

White Motor: One of the better entities in its field, it has improved sales, net and profit margin. Efficient operations and increased help from Autocar, acquired in 1953, should result in better showing than last year. Dividend liberal. B[1]

RATING: A: High-grade investment quality. B: Good grade. C: Speculative but improving. D: Unattractive.
[1] Above-average appreciation potential at current market levels. [2] Retain for long-term investment. * Most attractive of group based on current market price.



Makers of AUTO PARTS *in* QUEST *of* DIVERSITY

By LAWRENCE JACKSON

With some 60 million vehicles rolling over the highways (up 50% from 1948) and the assembly lines spewing forth another 7 million units each year, it is not surprising that the manufacturers of automotive accessories are rounding out one of their better years. Yet it is far from a banner year for numerous companies in the field, which is as cyclical as the car-making business it serves. It is impossible to establish a clear-cut pattern, for many companies are dependent not alone on a single industry, but a single customer. Thus, their fortunes rise and fall with such a company as Chrysler or one of the independents. Then there is the stepped-up trend toward integration by the car-makers, resulting in fewer purchases outside, especially during lean times. To these woes must be added the emergence of one-time customers (General Motors is a prime example) as competitors.

A score of representative companies engaged in the auto-parts business do an annual business of well over $3 billion, but nearly all of them are serving other industries, especially aircraft and appliances, hence there is no ready figure to indicate the size of the original equipment business. At a conservative estimate, however, more than $2 billion is spent annually for repair parts and accessories, not including tires. Business has been brisk this year for the leading parts-makers, marked by higher sales and net profits, improved profit margins and dividend treatment. Indeed, dividend casualties have yet to materialize among the old-line companies this year. It was a different story in 1954, when Motor Products, Gabriel Co., Ainsworth Manufacturing Corp. and Collins & Aikman, to cite but a few, halted dividend payments.

Mergers and Rumors

While 1955 looms as one of the better years for this industry, there is no blinking the fact that numerous companies among the 400-odd makers of auto accessories are casting about for tie-ups with others or seeking diversification. The situation, of course, is not quite so pressing as last year, when their customers were up against it — a year in which Chrysler took the bumps and the independents turned to mergers of their own to insure survival. It was a year of prosperity only for General Motors and Ford Motor which, unfortunately for the parts-makers, grabbed off 84% of the car market. In relation to their output, they are pitifully poor customers.

Though G. M. and Ford continue to pace the field, Chrysler (a prime customer of the parts people) has made a stunning comeback, the independents are doing somewhat better and the truck producers have perked up. The upturn at Chrysler, as an example, has advanced the fortunes of such companies as Electric Auto-Lite, Midland Steel Products, Motor Wheel and others. Motor Products, another Chrysler supplier, finally emerged from the red in the three months to March 31. That company, which is on a June 30 year, sustained net losses of $716,000 in the first quarter and $1,288,000 in the second period. The $211,000 net profit for the third quarter left the company still deep in the red on the year.

Incidentally, Motor Products, which had paid some dividend in each year since 1940, was sought by General Tire & Rubber Co. last year. General Tire offered to acquire the company through an exchange of stock, but the deal was nipped by management of the Detroit auto-parts and appliance concern with a large assist from its production employes, members of the C.I.O. Auto Workers, who bought stock to back up the company.

For many other companies, however, it was the end of the road. Sponge Rubber Products Co. was bought out by B. F. Goodrich, Timken-Detroit Axle Co. merged with Standard Steel Spring Co. to form Rockwell Spring & Axle and Federal-Mogul Corp. absorbed Bearings Co. of America. This year, Federal-Mogul is merging with Bower Roller Bearing Co., Borg-Warner with Byron Jackson and Houdaille-Hershey with Frontier Industries.

Nor are the giants of this industry immune from the trend. Electric Auto-Lite, which derives roughly 90% of its annual $300 million in revenues from the auto industry, has been linked in merger reports with Chrysler. *(Please turn to page* 735)

Statistical Data on Leading Automobile Parts and Accessories Companies

	1st 6 Months: Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	Full Year: Earned Per Share 1953	Earned Per Share 1954	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
AMER. BOSCH A. CORP. W.C. (mil.) '53—$12.5 W.C. (mil.) '54—$14.0	$ 40.1	$ 39.8	3.5%	3.6%	$ .79	$ .83	$ 1.02	$ 1.55	[3]	$ .75[4]	22¼- 9	16	4.6%
BENDIX AVIATION .... W.C. (mil.) '53—$ 79.9 W.C. (mil.) '54—$100.6	468.6	439.1	3.8	4.5	3.94	4.33	4.10	5.62	2.00[4]	2.00	59½-30	47	4.2
BORG-WARNER .... W.C. (mil.) '53—$116.7 W.C. (mil.) '54—$114.2	194.7	267.6	5.1	6.6	1.35	2.39	3.26	3.27	1.66⅔	2.00	48¼-24⅞	43	4.6
BUDD CO. .... W.C. (mil.) '53—$53.0 W.C. (mil.) '54—$42.2	114.2	170.9	2.8	5.5	.83	2.57	2.88	1.60	1.00	1.20	23 -11¼	20	6.0
CAMP. WY. & CANNON W.C. (mil.) '53—$6.8 W.C. (mil.) '54—$7.0	10.1	16.9	2.7	5.7	.81	3.03	3.54	2.38	2.00	2.00	40 -20½	37	5.4
COLLINS & AIKMAN .. W.C. (mil.) '53—$15.3 W.C. (mil.) '54—$16.7	8.3[1]	13.8[1]	7.5[1]	2.9[1]	(d) .13[1]	.72[1]	(d)2.17	(d) .48	......	......	21⅝-12½	19	....
EATON MFG. .... W.C. (mil.) '53—$26.1 W.C. (mil.) '54—$25.4	91.5	115.4	5.6	4.5	2.91	4.13	5.41	4.78	3.00	3.00	55⅞-37⅝	51	5.8
ELECTRIC AUTO-LITE .. W.C. (mil.) '53—$61.1 W.C. (mil.) '54—$72.1	96.7	156.6	8.0	4.0	.49	3.91	6.73	.45	1.50[4]	2.00	53 -33	44	4.5
ELEC. STORAGE B'TRY W.C. (mil.) '53—$30.6 W.C. (mil.) '54—$29.0	37.6	40.4	(d) .7	1.6	(d) .30	.73	1.87	8.58	2.00	2.00	34¼-23	30	6.6
HOUDAILLE-HERSHEY .. W.C. (mil.) '53—$15.3 W.C. (mil.) '54—$14.7	34.6	46.2	3.5	3.0	1.30	.97	3.27	.97	.90	[5]	16⅝-12¼	14	....
KELSEY HAYES WHEEL W.C. (mil.) '53—$26.1 W.C. (mil.) '54—$22.9	95.3	105.0	3.9	4.7	3.05	4.11	4.08	4.48	1.50	2.00	35¼-16	32	6.2
KING-SEELEY CORP. .. W.C. (mil.) '53—$8.6 W.C. (mil.) '54—$9.2	33.0	28.6	4.2	4.7	3.02	2.93	3.92	3.94	2.00	2.12½	34½-24¼	33	6.4
MIDLAND STEEL PROD. W.C. (mil.) '53—$19.8 W.C. (mil.) '54—$20.5	n.a.	n.a.	n.a.	n.a.	1.01	4.05	4.61	3.91	3.00	3.00	50 -30	46	6.5
MOTOR PRODUCTS .... W.C. (mil.) '53—$14.2 W.C. (mil.) '54—$11.8	67.3[6]	57.5[6]	(d) .9[6]	(d)3.1[6]	(d)1.27[6]	(d)3.83[6]	6.62	(d)2.41	.50	......	25⅜-16¼	24	....
MOTOR WHEEL .... W.C. (mil.) '53—$16.7 W.C. (mil.) '54—$14.3	29.6	43.8	3.5	4.2	1.20	2.20	3.52	2.04	2.00	2.00	33⅜-21⅛	30	6.6

W.C.—Working capital.
(d)—Deficit.

1—Quarter ended May 29.
2—9 months ended May 31.
3—Paid 4% stock.
4—Plus stock.
5—Paid 2% stock, thus far.
6—9 months ended March 31.

NOTE: Federal-Mogul-Bower Bearings, Inc. merger effective July 29, 1955; no pro-forma data available.

Statistical Position of Automobile and Truck Manufacturers (Continued)

	1st 6 Months: Net Sales 1954 (Millions)	1st 6 Months: Net Sales 1955 (Millions)	1st 6 Months: Net Profit Margin 1954 %	1st 6 Months: Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	Full Year: Earned Per Share 1953	Full Year: Earned Per Share 1954	Full Year: Dividend Per Share 1954	Full Year: Dividend Per Share Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
MURRAY CORP. of AM. W.C. (mil.) '53—$34.0 W.C. (mil.) '54—$28.3	$ 85.3[1]	$ 55.6[1]	4.2%[1]	6.9%[1]	$ 3.48[1]	$ 3.61[1]	$ 3.90	$ 5.59	$ 2.00	$ 2.00	38¼-18⅜	36	5.5%
RAYBESTOS-MANHAT. W.C. (mil.) '53—$20.5 W.C. (mil.) '54—$21.7	n.a.	n.a.	n.a.	n.a.	1.95	3.17	5.35	4.45	3.00	300	53¾-37	53	5.6
ROCK. SPRING & AXLE W.C. (mil.) '53—$52.4 W.C. (mil.) '54—$55.9	134.6	139.0	4.2	6.2	1.25	1.90	3.12	2.65	2.00	2.00	31⅜-18⅞	28	7.1
STEWART-WARNER ...... W.C. (mil.) '53—$27.1 W.C. (mil.) '54—$26.8	48.9	54.3	3.0	5.1	1.13	2.07	3.04	2.05	1.95	1.70[3]	38 -19½	37	4.5
THOMPSON PROD. .... W.C. (mil.) '53—$45.3 W.C. (mil.) '54—$51.3	144.4	146.8	4.4	4.4	2.40	2.42	3.56	4.25	1.10	1.40	60½-24¾	47	3.0
TIMKEN ROLLER BEAR. W.C. (mil.) '53—$42.3 W.C. (mil.) '54—$45.7	n.a.	n.a.	n.a.	n.a.	2.47	4.67	4.48	4.40	3.00	3.00	63½-36⅛	63	4.7
YOUNG SPR'G & WIRE W.C. (mil.) '53—$11.4 W.C. (mil.) '54—$11.9	n.a.	n.a.	n.a.	n.a.	1.01[2]	(d) .68[2]	4.81	3.32	2.00	1.00	32⅝-20	26	3.8

W.C.—Working capital.
(d)—Deficit.

[1]—9 months ended May 31.
[2]—9 months ended April 30.

[3]—Plus 5% stock; raised quarterly dividend to 45c a share.

American Bosch Arma: Output of fuel-injection systems and automotive electrical equipment at good levels. New plant in Mississippi should aid earnings. C

Bendix Aviation: Top research and merchandising have given company wide diversity. Position in electronics field has lessened dependence on cyclical auto parts. Paid some dividend each year since 1939 and split 2-for-1 this year. B[2]

Borg-Warner: Leading maker of auto, aircraft and farm-implement parts. Also a factor in household appliances. Continuing diversification, now about to acquire Byron Jackson, maker of pumps, oilfield tools and nuclear power components. Paid some dividend each year since 1928 and split stock 3-for-1 this year. B[2]

Budd Co.: Record sales and earnings of first half not likely to be duplilicated in last six months since auto-model changes and seasonally lower output should cut production temporarily. However, company has stepped up diversification through acquisition of Continental Diamond Fibre and sees improvement in railway car division. C[2]

Campbell, Wyant & Cannon: Sales of automotive castings have brought sharp upturn. As an independent foundry, however, numerous problems persist. Business fluctuations are sharp, but has long record of profitable operations with dividends paid in each year since 1935. C

Collins & Aikman: Auto and furniture upholstery maker now in the black after two years of net losses. Moving plant South to effect economies. Stock active recently on merger rumors. D

Eaton Mfg.: Maker of auto and aircraft parts boosted earnings for first half by 42% from the like half of 1954 accompanied by record sales. Pace should be reduced over second half. Increased margin of earnings over dividend, with liberal yield. B[2]

Electric Auto-Lite: Enjoying outstanding year, aided by improvement of key customer, Chrysler. Under new management, seeking to reduce complete dependence on auto business. Reports of merger with Chrysler persist. Paid some dividend yearly since 1935. C

Electric Storage Battery: Making strides in improving efficiency and lowering costs. Good automotive year has given lift to earnings. C

Houdaille-Hershey: Seeking diversification on broad front. Auto sales now 75% of total. Cash dividends deferred pending greater stability of operations. D

Kelsey-Hayes Wheel: Numbers Chevrolet and Ford among customers, hence 1955 should prove outstanding year. Present dividend payout is on lean side. C

King-Seeley: Outlook improved as a result of diversification. Dividend increased this year. Paid some dividend yearly since 1939. C

Midland Steel Products: Frames, brakes and allied equipment made by this old-line servant of auto industry. Reversal of 1954 downturn in prospect owing to improvement at Chrysler, its principal customer. Liberal dividend policy, with some payment made each year since 1936. C

Motor Products: Maker of auto parts and appliances now emerging from red. Has omitted dividends for past year. Chrysler is important customer. D

Motor Wheel: Supplies about 30% of passenger-car wheels to industry and its appliances division is diverse. Also an important producer of munitions. Diversification now is about 60-40 between automotive and balance. Chrysler, General Motors and independents are among important customers. C

Murray Corp. of America: In process of quitting auto-body field to produce plumbing fixtures, home appliances and diverse products. D

Raybestos-Manhattan: Auto parts and asbestos products in upturn, thanks to record automotive business. Trying to boost sales of products that go to other industries. Has paid some dividend yearly since 1895. B

Rockwell Spring & Axle: Formed two years ago by consolidation of Standard Steel Spring and Timken-Detroit Axle. Plans to spend $11 million this year (30% more than in 1954) for further integration of companies, to include construction and new equipment. Earnings for 1955 should top $3 a share, compared to $2 dividend. C

Stewart-Warner: Derives bulk of revenues from automotive products, including a lubricating system. Also makes wide range of miscellaneous items. Quit radio-TV business last year. Dividend record good. Boosted dividend and declared stock extra this year. C

Thompson Products: An outstanding growth situation, company has reduced dependence on auto field. Factor in such industries as aircraft and electroncis, with emphasis on guided missiles. B[2]

Timken Roller Bearing: Banner year in prospect for company, whose principal customer is automotive. Uses of products, however, continually broadening. Yield is liberal and more generous dividends expected over near term. B[2]*

Young Spring & Wire: Bulk of products goes to auto industry. Hit by "manufacturing problems" in first six months of fiscal year just ended. Solution of problems expected to show profitable operations for year. Usual quarterly extras omitted this year, but maintenance of $1 annual dividend is likely. C

RATING: A—High-grade investment quality. B—good grade. C—Speculative but improving. D—Unattractive.
[1]—Above-average appreciation potential at current market levels.
[2]—Retain for long-term investment.
***—Most attractive of group based on current market price.**

RUBBER shows new BOUNCE

By A. L. NORRIS

Few industries in this year of record business activity are faring better than rubber. A half dozen of these manufacturers of automotive tires, industrial rubber products and chemicals showed a rise in net profit for the second quarter of more than 34% compared with the year-ago period. While a study of a score of industries reveals a number of more spectacular gains (textiles were up 214%), it must be remembered that these groups started from a depressed level. Major rubber companies, of course, are in a prosperous cycle.

This industry, like the auto business it serves, is dominated by a handful of companies. However, there is no one company in this field, topped by Goodyear Tire & Rubber Co., that towers a la General Motors. Goodyear and the three other giants of the business (U. S. Rubber, Goodrich, Firestone) have come a long way since 1937, peak year of that decade, boosting their volume from little more than $700 million to well over $3.4 billion (1954 figure). With 1955 looming as a record year, it is apparent that the leaders of the industry have stepped up their volume fivefold since the peak of the 1930's.

Higher In Investor Esteem

Their rise has been equally impressive in the marketplace, where topnotch rubber stocks, little more than five years ago, sold as low as four times earnings and yielded 10%. As an example of the change in their fortunes, B. F. Goodrich now sells around 13 times earnings and yields about 2¾%. Such readjustments have made the performance of the rubber issues an outstanding sidelight of the market upsurge. Indices of pivotal stocks show that industrial shares have roughly tripled their average level of the late 1930's, while rubber stocks have risen to 9.6 times their corresponding base. Only the paper companies, at 13 times their averages of the late 1930's, have surpassed rubbers.

Whether they can continue in 1955 to soar in the marketplace is conjectural, but there is little doubt about what the rubber companies will do operationally. Thanks to record auto production (despite diversification, tires remain their biggest product), the rubber-makers have been toppling record after record this year. Domestic consumption of rubber in the first quarter was the highest on record for any three consecutive months and January-March shipments of tires were the highest on record for those three months. New rubber consumption in the United States during June amounted to 137,116 long tons and established a new all-time monthly high for consumption. Despite a slight increase in natural rubber consumption in June over May, synthetic rubber consumption jumped to a new all-time high of 80,445 long tons, 6.18% higher than the previous peak, established in May. Thus, natural rubber's share was only 56,671 long tons.

World production and consumption of natural and synthetic rubber was higher the first six months of this year than in the first half of 1954. World output of natural rubber was estimated at 870,000 tons, against 825,000 tons a year ago. Consumption of natural rubber reached 945,000 tons, compared with 875,000. Production and consumption of synthetic rubber balanced each other at 505,000 tons, while in the first half of last year synthetic output was 351,211 tons and consumption 372,500.

Chemicals, Plastics, Retailing

While tires account for roughly half of the uses to which the top American companies put the raw product, and such items as inner tubes and tire-repair materials bring it well above that figure, these firms probably depend on tires for somewhat less than half of their combined sales. All have activities outside the traditional field, producing chemicals and plastics and even operating retail outlets. Thus, Goodrich has eight chemical plants, a shoe products

factory, two that turn out plastics, a like number in textiles and seven factories that make a wide variety of industrial products. Firestone, in addition to an array of plants on the Goodrich order, has the Firestone stores.

Rubber uses are widely diversified. A partial list of non-tire products includes foam rubber, shoe and shoe materials, electrical insulation, mechanical belting, hose and rubber tubing, floor-covering materials, elastic yarn, coated fabrics, drug sundries, balloons, balls and numerous others. In the past 30 years the tonnage they consume has multiplied on the order of seven times, against three times for tires.

Synthetic Surge

Synthetic rubber, born in pre-war laboratories, has had an effect in this connection. Although the synthetics cannot match the elasticity of the natural product, they can outperform it in resisting age, oil, sunlight and inflammability. Thus, synthetics are suitable for application where natural is not. In addition, other products have sprung up within and around rubber goods output — synthetic textiles, plastics, oils, pigments and a variety of chemicals, each lending growth and diversity to the rubber business. Sale this year by the Government of synthetic rubber plants to the industry already has stoked competitive fires, assuring a vigorous petrochemical industry.

Diversity in the rubber industry has carried nearly all of the entities far afield. General Tire & Rubber Co., as an extreme example, this summer went into the movie business, paying $25 million for the assets of RKO Radio Pictures. It long has had, in addition, a radio and television subsidiary. General Tire also has done extremely well with the traditional products. For the six months ended May 31 sales rose over 40% to $135,343,000 and net profit soared 22% to $4,027,000, or $2.87 a share. The consolidated statement does not include sales of its radio and TV subsidiaries, but they are understood to have been better than last year.

The industry, which never had it so good, figures to have it even better in the months ahead, helped by a boost in tire prices. The parade of price advances was started in August by Goodrich. Rising prices for crude rubber and other tire components along with more costly employe pension and insurance costs were blamed. (*Please turn to page* 730)

Statistical Position of Leading Tire & Rubber Companies

	1st 6 Months						Full Year						
	Net Sales (Millions)		Net Profit Margin		Net Per Share		Earned Per Share		Div. Per Share Indicated		Price Range	Recent	Div.
	1954	1955	1954	1955	1954	1955	1953	1954	1954	1955	1954-1955	Price	Yield
DAYTON RUBBER W.C. (mil.) '53—$10.0 W.C. (mil.) '54—$10.5	$ 25.0	$ 30.4	1.3%	3.1%	$ .48	$ 1.56	$ 2.57	$ 1.81	$ 1.25	$ 1.25	22¾-12⅝	20	6.2%
FIRESTONE TIRE & RUB. W.C. (mil.) '53—$293.3 W.C. (mil.) '54—$300.7	447.9	519.5	4.0	4.6	2.26	2.76	5.89	5.03	1.87½	2.50	70¼-31½	62	4.0
GENERAL TIRE & RUB. W.C. (mil.) '53—$44.7 W.C. (mil.) '54—$44.7	96.6	135.3	3.4	3.0	2.45	2.87	4.91	3.18	2.00	2.00	65½-47⅛	56	3.5
GOODRICH, B. F. W.C. (mil.) '53—$210.3 W.C. (mil.) '54—$225.6	304.9	372.3	5.9	5.9	2.16	2.52	4.08	4.40	1.60	1.80	73½-38½	66	2.7
GOODYEAR TIRE & RUB W.C. (mil.) '53—$401.4 W.C. (mil.) '54—$362.0	551.3	679.6	4.4	4.1	2.56	2.98	5.14	5.04	1.62½	2.00	66¼-26⅜	56	3.5
LEE RUBBER & TIRE W.C. (mil.) '53—$16.8 W.C. (mil.) '54—$17.8	17.4[1]	19.8[1]	3.6[1]	3.3[1]	.76[1]	.78[1]	2.00	1.66	1.33⅓	1.45	25 -16⅛	23	6.3
SEIBERLING RUBBER W.C. (mil.) '53—$11.0 W.C. (mil.) '54—$10.1	17.4	21.4	.9	2.1	.15	.89	2.00	2.10	.02	....	11½- 7⅜	10	......
U. S. RUBBER W.C. (mil.) '53—$231.2 W.C. (mil.) '54—$232.4	393.1	457.4	3.8	4.1	2.23	3.09	5.19	4.29	2.00	2.00	51⅜-29¼	44	4.5

W.C.—Working capital. [1]—6 months ended April 30.

Dayton Rubber: Diversified independent enjoying record business. Higher dividend or an extra looms for this company, which has paid on common since 1938. Heavy civilian demand compensating for decline in military work. C

Firestone: This blue chip of the industry is firmly entrenched in second place. Its diversity is far better than average. Split 2-for-1 this year, present payout is unusually lean, pointing to likelihood of more generous treatment before year end. A[2]*

General Tire & Rubber: A factor in chemicals and plastics, also has acquired considerable stake in entertainment industry. Full year results should continue to require capacity output for manufactures. Prospect encouraging for more liberal dividend policy over near term. B[2]

Goodrich (B. F.) Co.: This topnotch company split 2-for-1 early this year. Present dividend modest in light of earnings picture. Pioneer in tubeless tire field, company carries on dynamic research and promotion. A[2]

Goodyear Tire & Rubber: Leader of the industry, now on its way to another billion dollar sales year. Improvement over 1954 certain, as last year was marked by protracted strikes. Productive capacity expanded and facilities at full tilt much of year. Recently split stock and raised dividend. Undertook in July a stock offering, with proceeds to be added to general funds. A[2]*

Lee Rubber & Tire: Important producer of tires and tubes with large stake in replacement market. Also turns out wide variety of industrial rubber products. Paid some dividend each year since 1934. This year split stock and raised dividend. B[2]

Seiberling Rubber: Company, which has had checkered career, now showing gains. Net last year dropped drastically owing to "price war" in replacement market. Failure to accrue earnings hampering expansion and diversity. D

U. S. Rubber: Highly diversified, company is a factor in such fields as textiles and chemicals. Net and sales for first half set all-time high. Better return to stockholders than the present $2 annual rate likely in near future. B[2]*

RATING: A—High-grade investment quality. B—Good grade. C—Speculative but improving. D—Unattractive.
[1]—Above-average appreciation potential at current market levels. [2]—Retain for long-term investment.
***—Most attractive of group based on current market price.**

IS DECLINE in AIRCRAFT STOCKS JUSTIFIED?

By JOHN D. C. WELDON

It's been a long time since the world knew real peace. International tensions have relaxed to such an extent in recent months that the spirit of "good will toward men" once again is beginning to mean something. Not in two decades have peace prospects seemed so promising as in the weeks since the Geneva Conference. What does such an environment portend for the aircraft industry and for the thousands of investors who hold a stake in it?

Talk of disarmament, which is almost certain to become increasingly vocal if additional steps toward implementing the Geneva intentions are taken at the Conference of Foreign Ministers next month, naturally raises the possibility of substantial cutbacks in military expenditures. Realists may argue that on the basis of past experience, Soviet promises should not be trusted and that safeguards should not be relaxed. Yet Americans traditionally are inclined to accept one another's word and always in formulating national policies have evidenced idealistic philosophies that would de-emphasize military preparedness. One may ponder, therefore, the threat of serious retrenchment in production of aircraft.

Two important factors tend to support the view that the danger of sabotaging the industry is less pronounced than pessimists fear. In the first place, the nation learned to its regret the fallacy of wishful thinking five years ago when the Korean incident caught Washington authorities unprepared. Administration officials are unlikely to fall in such a predicament again in the foreseeable future. Secondly, the occupant of the White House, with his long experience in military planning, is likely to continue special emphasis on national defense.

Moreover, no one who analyses events of recent weeks could doubt that achievements at the Geneva Conference were made possible only because President Eisenhower was in a position to "lead from strength." Political observers noted that the summit conference probably could not have been held if the delegates from Moscow had not held great respect for our military forces.

Thus even granting that unusual indications of friendship between the United States and Russia may lead to curtailment of aircraft production, it probably would be foolhardy to assume that a more conciliatory relationship between the two countries foreshadows serious problems for representative manufacturers. Fundamental policies governing contract awards may be altered and expenditures may

be trimmed to a considerable extent, but one can feel quite certain that the major companies engaged in aircraft activities will continue active.

Notwithstanding the fact that most manufacturers are dependent to the extent of 85 per cent or more on military orders, there is no doubt but that commercial orders are becoming increasingly significant as the air transport industry prepares to turn to jet propulsion from reciprocating engines. Moreover, steadily increasing appropriations are destined to reach the industry for development of stratospheric weapons, guided missiles and even rocket ships. Even now preparations are being made to explore outer space and to propel man-made moons into the sky. One may feel confident that hundreds of millions of dollars will be provided for engineering research in which aircraft manufacturers will play a leading role.

Confidence in maintenance of a strong air arm and an effective aircraft manufacturing industry is founded on something more than hope and expectation. There is little doubt but that public opinion has been roused to the necessity of backing up our convictions with adequate military power. Statesmen on both sides of the Senate have supported the White House in establishing a firm foreign policy. Thus, investors owning aircraft shares need not fear that financial support for manufacturers will be suddenly withdrawn. Charges of excessive profits may be heard from time to time, and Congressional investigations are to be expected; but the public would not countenance policies aimed at weakening the industry.

In addition to support from public opinion and governmental authorities, investors holding aircraft shares can count on a gradual enhancement in the industry's investment status. Representative stocks are becoming more seasoned from year to year as earnings and dividend records become more voluminous. As a consequence of steady progress, investors have evidenced a willingness to place higher appraisals on earning power. Buyers show greater confidence in management's ability to cope with problems. At the same time apprehension over adverse developments has diminished.

Despite improvement in investment stature, prominent stocks in the group still afford liberal dividend returns and appear relatively modestly appraised on basis of indicated earnings. Reference to accompanying statistical data, for example, will illustrate this point. The fact that secondary stocks offer modest evaluation of earnings perhaps is not too surprising under the circumstances, but even the best names in the industry have been selling lately on the basis of six to eight times estimated 1955 share profits, whereas seasoned industrials have commanded fifteen times earnings.

This disparity in appraisals may be attributed in part to the fact that aircraft shares still are generally avoided by institutional investors—except investment trusts specializing in issues representing airplane manufacturing (*Please turn to page* 733)

Statistical Data on Leading Aircraft Companies

	1st 6 Months: Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	Full Year: Net Per Share 1953	Net Per Share 1954	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
BEECH AIRCRAFT .... W.C. (mil.) '53—$2.3 W.C. (mil.) '54—$5.6	$ 60.3[1]	$ 59.4[1]	3.8%[1]	4.7%[1]	$ 3.93[1]	$ 4.67[1]	$ 3.87	$ 5.64	$ .93	$ 1.35	30 - 9⅞	28	4.8%
BELL AIRCRAFT .... W.C. (mil.) '53—$11.1 W.C. (mil.) '54—$19.5	93.2	107.9	3.6	2.9	1.33	1.23	1.96	2.47	1.25	1.25	38 -11⅝	26	4.8
BOEING AIRPLANE ...... W.C. (mil.) '53—$60.2 W.C. (mil.) '54—$86.8	496.8	370.3	3.4	3.6	5.34	4.19	6.26	11.39	3.00	3.00	88½-23¼	61	4.9
CESSNA AIRCRAFT ...... W.C. (mil.) '53—$4.1 W.C. (mil.) '54—$5.8	20.5[2]	22.9[2]	4.0[2]	4.8[2]	1.14[2]	1.52[2]	1.54	2.98	.75	.75	22 - 6⅞	18	4.1
CHANCE VOUGHT ...... W.C. (mil.) '53—$8.0 W.C. (mil.) '54—$8.6	77.6	59.9	4.1	2.9	2.97	1.63	....	6.15	.80	1.60	68 -22	31	5.1
CURTISS WRIGHT .... W.C. (mil.) '53—$ 91.8 W.C. (mil.) '54—$106.8	234.5	250.0	3.2	6.0	.95	2.02	1.36	2.50	1.00	1.40	23½- 7¾	21	6.6
DOUGLAS AIRCRAFT .. W.C. (mil.) '53—$56.5 W.C. (mil.) '54—$71.0	493.8	435.8	3.8	3.1	5.22	3.71	5.15	9.80	4.33	4.50	94 -26¼	69	6.5
FAIRCHILD ENG. & AIR. W.C. (mil.) '53—$15.9 W.C. (mil.) '54—$19.6	70.8	78.9	3.1	2.6	.96	.73	1.74	1.43	.80	1.00	21¾- 9⅝	13	7.6
GENERAL DYNAMICS .. W.C. (mil.) '53—$25.6 W.C. (mil.) '54—$67.3	323.3	342.9	3.0	2.7	1.93	1.88	3.51	4.72	1.62½	2.10	80 -18	56	3.7

(W.C.)—Working capital. [1] 9 months ended June 30. [2] 6 months ended March 31.

Statistical Data on Leading Aircraft Companies (Continued)

	1st 6 Months: Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	Full Year: Net Per Share 1953	Net Per Share 1954	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954 - 1955	Recent Price	Yield Div.
GRUMMAN AIR. ENG. **W.C. (mil.) '53—$28.3** **W.C. (mil.) '54—$33.2**	$108.3	$115.1	4.6%	4.8%	$ 2.51	$ 2.77	$ 3.56	$ 5.61	$ 2.00	$ 2.00	45¾-22⅜	35	5.7%
LOCKHEED AIRCRAFT .. **W.C. (mil.) '53—$43.1** **W.C. (mil.) '54—$53.5**	215.5[1]	190.4[1]	2.2[1]	2.4[1]	1.79[1]	1.63[1]	5.79	7.94	2.85[5]	2.90[5]	64½-26	45	6.4
MARTIN (GLENN L.) .... **W.C. (mil.) '53—$15.5** **W.C. (mil.) '54—$35.9**	97.2	127.0	7.0	4.3	3.07	2.15	6.42	7.85	1.00[5]	1.50	44 -15⅛	25	6.0
McDONNELL AIRCRAFT **W.C. (mil.) '53—$7.5** **W.C. (mil.) '54—$9.3**	123.0[7]	154.5[7]	3.0[7]	2.9[7]	5.03[7]	6.33[7]	6.17	5.03	1.00	1.00	42½-19	39	2.5
NOR. AMER. AVIATION **W.C. (mil.) '53—$48.3** **W.C. (mil.) '54—$59.7**	493.5[2]	580.3[2]	2.9[2]	4.0[2]	4.23[2]	6.88[2]	3.72	6.46	2.75	4.00	69¼-20	68	5.8
NORTHROP AIRCRAFT **W.C. (mil.) '53—$ 8.6** **W.C. (mil.) '54—$10.1**	109.6[3]	214.9[3]	1.7[3]	4.0[3]	1.31[3]	6.05[3]	2.38	2.63	1.05[5]	1.60	39¾- 7½	27	5.9
REPUBLIC AVIATION .. **W.C. (mil.) '53—$20.1** **W.C. (mil.) '54—$25.6**	166.9	300.5	2.7	3.1	3.44	7.18	6.21	6.71	2.00[5]	2.50	44¼-20	37	6.7
ROHR AIRCRAFT CORP. **W.C. (mil.) '53—$2.6** **W.C. (mil.) '54—$4.8**	77.4	61.6	3.4	3.5	2.94	2.40	1.70	3.90	1.00[5]	1.20	35 -10⅛	23	5.2
RYAN AERONAUTICAL **W.C. (mil.) '53—$5.7** **W.C. (mil.) '54—$7.3**	23.5	19.4	4.4	4.1	2.76	2.09	3.80	5.15	.50	.50	50½-14⅞	29	1.7
SOLAR AIRCRAFT .... **W.C. (mil.) '53—$7.9** **W.C. (mil.) '54—$8.5**	65.0[4]	63.9[4]	3.1[4]	3.2[4]	3.04[4]	3.03[4]	4.24	3.04	1.10[5]	1.30	27⅝-13¾	19	6.8
UNITED AIRCRAFT ...... **W.C. (mil.) '53—$79.8** **W.C. (mil.) '54—$75.3**	351.4	360.3	3.7	4.2	3.91	4.54	6.23	7.66	3.50[6]	4.00	94 -45¼	75	5.3

[1] Quarter ended March 31.
[2] 9 months ended June 30.
[3] 9 months ended April 30.
[4] Year ended April 30.
[5] Plus stock.
[6] Plus 1 sh. Chance Vought for each 3 shares held.
[7] Year ended June 30.

Beech Aircraft: Improvement in profit margins attained in last year expected to boost earnings. Net may approximate 1954 showing. Civilian orders promising. Higher dividend set for increased shares. C

Bell Aircraft: Wider adoption of helicopters in civilian pursuits as well as in military uses contributing to increased volume for this leading maker. Profits holding up well despite dip in backlog. C

Boeing Airplane: Gradual decline in shipments and in earnings anticipated as company shifts emphasis to newer models. Earnings expected to afford coverage for indicated $3 annual dividend. B[2]

Cessna Aircraft: Although shipments are expected to drop moderately as work on subcontracts is completed, civilian business appears promising. Earnings likely to compare favorably with 1954 results. C

Chance Vought Aircraft: Cancellation of Navy contract and stretch-out of other military orders expected to reduce volume for 1955 and bring lower earnings. D

Curtiss-Wright: Increased volume of commercial orders, affording wider margins, expected to lift earnings moderately despite some curtailment in military shipments. Year-end extra dividend seen. C

Douglas Aircraft: Outlook favorable for expansion in commercial orders, while government business declines moderately. Shipments this year to compare favorably with 1954. Dividend rate to hold. B[2]

Fairchild Engine & Airplane: Volume of military orders expected to hold steady with emphasis on cargo types. Earnings may increase slightly. Greater activity on missiles seen. Dividends set at 80 cents. C

General Dynamics: (Please see "5 Potential Market Leaders, page 695-7) B[1]*

Grumman Aircraft: Despite some slackening in production indicated for remainder of 1955, shipments and earnings are expected to compare favorably with 1954 and dividend is expected to hold at $2 rate. C

Lockheed Aircraft: Although military and commercial shipments are increasing moderately, development costs appear to be heavier than usual and margins less satisfactory. Lower net profit seen. C

Martin (Glenn L.): Narrower margins anticipated on military shipments. Higher tax burden (credits having been exhausted) expected to trim earnings. Profit believed adequate for modest dividend. D

McDonnell Aircraft: Shipments continue to run ahead of new business, accounting for rise in net profit to new high for June 30 year. Backlog continues to drop. Wide margin indicated for modest $1 dividend. D

North American Aviation: Progress on new planes and promise of substantial military contracts should sustain volume in 1956. Above-average improvement in earnings indicated for 1955. Dividend liberal. C[1]

Northrop Aircraft: Heavy deliveries in year just ended point to substantial increase in earnings, but smaller volume is indicated for 1956. Net profit expected to sustain $1.60 dividend rate. C

Republic Aviation: Wider profit margins indicated on increased shipments in 1955. Further decline anticipated in backlog. Favorable earnings expected to hold promise of year-end extra. C

Rohr Aircraft: Dependence on subcontract orders chiefly for components used in production for year just ended. D

Ryan Aeronautical: Wide diversification in components expected to aid in sustaining volume. Increased emphasis likely on rockets and ramjet motors. Lower earnings indicated for current year. C

Solar Aircraft: Strong trend toward wider adoption of jet engines expected to aid this leading maker of components. Earnings expected to improve moderately, warranting further rise in dividends. C

United Aircraft: Although volume in airframe business may dip, shipments of engines are expected to hold well. Emphasis on missiles gaining momentum. Continuance of liberal dividend indicated. B[2]

RATING: A — High-grade investment quality. B — Good grade. C — Speculative but improving. D — Unattractive.
[1]—Above-average appreciation potential at current market levels. [2]—Retain for long-term investment.
***—Most attractive of group based on current market price.**

AIRLINES SOLVE SOME OLD PROBLEMS

— Review of Bus and Shipping —

By ERNST SCHIFFLER

Upon completion of the 1955 first half-year, the majority of the nation's scheduled domestic airline operators were able to provide shareowners with interesting and pleasant reading on operating revenues and net earnings for the six months' period. On the basis of this over-all showing and outlook for the remaining months of the current year, prospects are that net earnings of the airline companies will be at a record high in 1955.

Several factors are continuing to contribute to this improved situation. Not the least in importance is better control of expenses by most of the lines and the steady climb in revenue passenger miles flown. Complete figures for the half-year are not yet available, but some idea of the rate of increase is had from the fact that revenue passenger-miles in the three months to last March 31, were up by 22% over the like 1954 period. Basing estimates on the increase in number of passengers carried during the second three months, the gain in revenue passenger-miles for that period at least matched, if it did not exceed, the first quarter figure.

Supporting this estimate are reports by several of the major domestic trunk airlines for the first half-year. For instance, *Trans World Airlines*, during those months, flew 1,890,000 passengers, 16½% more than in the first half of 1954. *American Airlines* carried 3,524,000 passengers in the first six months of this year, and reeled off two billion 65 million passenger-miles, up by 15% from one billion 95 million miles a year ago. If additional evidence of the uptrend in airlines' business is needed, there's *Eastern Airlines'* first half-year operations which set a new record in the 1955 first half when it flew about 3.5 million passengers over approximately two billion passenger-miles, an increase of roughly 25% over the first six months of last year. This rate of gain was matched by *United Air Lines*, passenger-miles for that company in the six months to last June amounting to more than one billion 40 million. Following a good first quarter in which revenue passenger miles increased 37.4% over the March, 1954, period, United continued to score substantial increases during the second three months of this year. Revenue passenger-miles in the three months to June 30, rising to one billion 40 million miles, up 25.5 from the year earlier quarter.

Gains in Freight Traffic

A number of the carriers also showed material gains in freight traffic in 1955's first half. Air freight transported by *American Airlines* was up 13.5% over a year ago, and *United Air Lines* bettered this mark by showing a gain of approximately 28% in volume of air freight this year. On trans-Atlantic flights in the first half of 1955, *Pan American World Airways* flew 1,479 tons of cargo, compared with 1,043 tons for the same period a year ago, an increase of 39%. To help handle the increased business, *Pan American* has added an extra all-cargo plane to its schedule, and plans to add extra all-cargo flights in the early fall to take care of the business it expects from reduced rates which went into effect last August 15. It estimates that the lowered transportation cost will reduce transportation charges on most commodities by an average of 20%, and predicts that ton-miles flown will increase by 50%.

The only adverse development, if it can be called that, in traffic statistics of many of the airlines is the ruling of the CAB fixing mail rates under those prevailing heretofore. This development, however, cannot be regarded as of major importance inas-

much as service mail rates at the old level accounted for only about 3.4% of total gross revenues.

More to the point, in viewing the current status and immediate outlook of the air transport industry, are the substantial gains being recorded in all categories of traffic, the tighter control of expenses, and vastly improved services in first class and coach flights. Also contributing to lower costs is better utilization of the more efficient new planes. A good example of the benefits derived from larger and faster air liners is had in the figures of *Eastern Air Lines* for the first half of this year. While only 11% more seat miles were operated, revenue passengers increased 20% to just under two million, and load factor increased to 63.6% from 58.6 a year ago. This improvement, together with tighter control of costs, held the rise in operating expenses for this year's first six months to 12% as against an increase of 17% in the 1954 first half-year. The reduction becomes more impressive when it is borne in mind that 1955 half-year gross operating revenues, at a record high of $102.6 million, were up by 18% over a year ago and that expenses included close to $12 million depreciation charges. In addition, Eastern's taxes, $7.4 million for the 1954 first six months' period, increased this year to $11.2 million, but net profits, despite these charges, rose to $1.68 a share from 60 cents a share for the six months to June 30, 1954.

Operating results of other major companies in the industry disclose a similar story. Better control of expenses in the first half of this year enabled *American Airlines*, on an increase of 12% in revenues, to show a gain of 70.3% in net earnings over the corresponding months of 1954. Revenues for the half year ended last June 30, of $124.8 million compared with $112.2 million a year ago. Net profit for the latter period, including $903,000 realized on sale of four airplanes, amounted to a little more than $5 million, equal to 66 cents a share. With higher revenue and tighter control of expenses, net income for the 1955 period rose to $8.5 million. This was 12% more than a year ago and was equal to $1.13 a share for the common stock. Operations in the second half of 1955 may show still further gains. These could be quite sharp considering the anticipated upturn in passenger, express and freight traffic, with operations unhampered as they were in August, 1954, by the pilots' strike.

Additional evidence of increasing prosperity of the nation's major air lines is furnished by *United Air Lines*' 1955 first half-year results. Operating revenues for the period increased to $111.5 million, 28% higher than a year ago. Net earnings, exceeding those for any comparable period in United's history, increased from (*Please turn to page 734*)

Statistical Data on Three Transportation Groups

AIRLINES

	1st 6 Months						Full Year						
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share				
	1954	1955	1954	1955	1954	1955	1953	1954	1954	Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
AMERICAN AIRLINES... W.C. (mil.) '53—$34.2 W.C. (mil.) '54—$37.6	$111.2	$124.8	4.5%	6.8%	$ .66	$ 1.06	$ 1.86	$ 1.51	$ .60	$ .80	29⅛-11½	25	3.2%
BRANIFF AIRWAYS...... W.C. (mil.) '53—$1.2 W.C. (mil.) '54—$3.3	21.4	23.0	3.7	3.8	.62	.48	.01	2.81	.50	.45	18⅞- 6⅛	15	3.0
CAPITAL AIRLINES....... W.C. (mil.) '53—$1.3 W.C. (mil.) '54—$5.3	22.0	23.9	.1	15.7	.05	4.52	2.10	2.10	[1]	......	37½- 8⅝	33	....
EASTERN AIRLINES...... W.C. (mil.) '53—$14.3 W.C. (mil.) '54—$37.7	86.9	102.6	1.7	4.0	.60	1.68	3.20	2.88	.50	1.00	58 -21⅝	52	1.9
NATIONAL AIRLINES... W.C. (mil.) '53—$6.3 W.C. (mil.) '54—$ .5	28.6[2]	36.0[2]	[2]15.4[4]	5.6[2]	[2]4.39[4]	2.00[2]	3.99	4.42	.60	.80	27⅞-12½	24	3.3
NORTHWEST AIRLINES W.C. (mil.) '53—$2.8 W.C. (mil.) '54—$2.4	28.5	32.5	(d)1.1	1.2	(d) .67	.23	1.84	2.38	......	.80	26⅜- 7½	21	3.8
PAN AM. W. AIRWAYS W.C. (mil.) '53—$17.1 W.C. (mil.) '54—$ 9.7	44.7[3]	n.a.	n.a.	n.a.	n.a.	n.a.	1.77	1.71	.80	.80	22 - 9⅜	19	4.2
TRANS WORLD AIRLINE W.C. (mil.) '53—$ .6 W.C. (mil.) '54—$4.0	92.8	99.0	1.8	.9	.52	.29	1.77	1.71	......	......	35½-13⅛	28	....
UNITED AIR LINES......... W.C. (mil.) '53—$ 7.0 W.C. (mil.) '54—$10.2	87.3	111.5	2.8	3.8	.81	1.52	3.28	3.52	1.50	1.50	49½-21⅛	43	3.4
WESTERN AIR LINES...... W.C. (mil.) '53—$ .7 W.C. (mil.) '54—$1.4	11.0	14.3	2.4	5.2	.38	1.01	1.66	2.04	.60	.75	25¾- 8¾	22	3.4

W.C.—Working capital.
(d)—Deficit.
n.a.—Not available.

[1]—Paid 5% stock.
[2]—9 months ended March 31.
[3]—Quarter ended March 31.
[4]—Includes gain of $4.1 million on retirement of capital assets.

Statistical Data on Transportation Groups (Continued)

BUS & TRUCKING

	1st 6 Months						Full Year						
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share				
	1954	1955	1954	1955	1954	1955	1953	1954	1954	Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
GREYHOUND W.C. (mil.) '53—$18.3 W.C. (mil.) '54—$23.2	$103.7	$100.7	3.7%	3.9%	$ .35	$ .35	$ 1.27	$ 1.35	$ 1.00	$ 1.00	16¼-11¾	16	6.2%
HERTZ CORPORATION† W.C. (mil.) '53—$(d)1.9 W.C. (mil.) '54—$ .7	10.3	n.a.	5.4	n.a.	.79	1.73	.31	2.42	1.00	1.45	55½-14½	51	2.8
N. Y. CITY OMNIBUS W.C. (mil.) '53—$ .1 W.C. (mil.) '54—$(d).9	12.9	15.8	5.6	4.3	1.46	1.24	1.47	2.93	2.50	2.00	33½-15½	25	8.0
U. S. FREIGHT W.C. (mil.) '53—$10.6 W.C. (mil.) '54—$10.7	31.6[1]	33.9[1]	.6[1]	.9[1]	.74[1]	1.09[1]	4.04	5.61	2.00	2.00	57¼-22½	55	3.6

W.C.—Working capital. **n.a.—Not available.** **†—Formerly Omnibus Corp.**

SHIPPING

	Net Sales 1954	Net Sales 1955	Net Profit Margin 1954	Net Profit Margin 1955	Net Per Share 1954	Net Per Share 1955	Earned Per Share 1953	Earned Per Share 1954	Dividend 1954	Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
AMER. EXPORT LINES W.C. (mil.) '53—$17.2 W.C. (mil.) '54—$17.6	n.a.	n.a.	n.a.	n.a.	(d) .33	.24	2.99	.18	.75	......	19¼-11½	18	....
AMER. HAWAIIAN S.S. W.C. (mil.) '53—$17.3 W.C. (mil.) '54—$14.2	n.a.	n.a.	n.a.	n.a.	(d)1.08	1.62	3.08	1.74	3.00	1.50[1]	76 -57	64	....
MOORE-McCORMACK L W.C. (mil.) '53—$9.5 W.C. (mil.) '54—$9.3	n.a.	26.5	n.a.	7.2	1.06	.98	2.64	2.42	1.50	1.50	21½-12¼	20	7.5
U. S. LINES W.C. (mil.) '53—$ 3.1 W.C. (ml.) '54—$12.8	87.3	111.5	2.8	3.8	.81	1.52	4.34	3.17	1.12½[2]	1.50	24¾-13¾	22	6.8

W.C.—Working capital.
(d)—Deficit.
n.a.—Not available.
[1]**—No further dividend action.**
[2]**—Plus stock.**

American Airlines: Increased revenue from rising traffic volume points to substantially higher 1955 net earnings. Dividend, increased to 20 cents quarterly, should be maintained. B[2]

Braniff Airways: Capital gains brought 1954 earnings from operation to $1.45 a share. This showing may not be duplicated in the current year. The 15-cent quarterly dividend, however, should be maintained. D

Capital Airlines: When full fleet of 60 Viscounts are in service, improved competitive position and greater operating efficiency may be reflected in higher earnings. Net this year may be greatly augmented by capital gains from sale of some older type planes. Capital needs may defer dividend action. C[3]

Eastern Airlines: Operates a well integrated route system and has one of the best earnings records in the industry. Record net earnings indicated for 1955. Dividend secure on shares with good long-range prospects. B[2]

National Airlines: A comparatively low-cost operator with good growth prospects. Favorable earnings trend. Dividends at current rate should be maintained. C[3]

Northwest Airlines: Will probably show 1955 earnings moderately above last year's $2.38 a share. Current 80-cent annual dividend should remain unchanged. C

Pan American World Airways: Rising traffic volume increasing earnings, but gains along this line reduced by cuts in mail rates. Net for 1955, however, should compare favorably with last year's $1.71 a share. Dividend should hold. B[2]

Trans World Airlines: Current year's earnings should match 1954's $1.71 a share. Capital needs for new equipment bar to near-term dividend action. C

United Airlines: Substantial improvement indicated in 1955 earnings over last year's $3.52 a share. Expect regular 25-cent quarterly dividend to be supplemented by year-end extra. B[2]

Western Airlines: Net earnings last year helped by non-recurring profits of 52 cents a share, bringing total to $2.04 a share. This may be duplicated in 1955. The 15-cent quarterly dividend should be maintained. C

Greyhound Corp.: Operating economies and increased efficiency may pull 1955 net earnings slightly above 1954's $1.35 a share. New Scenicruisers may enable company to widen profit margin. Dividends at $1.00 annual rate should hold. C

Hertz Corp.: Has divested itself of bus company holdings. Major operations consist of truck and automobile renting. 1954 earnings of $2.42 a share swelled by capital gains. This may not be duplicated in 1955 but new 40-cent quarterly dividend should hold. D

N. Y. City Omnibus: Although 1955 first half-year's earnings were down only moderately from 1954 period, the decline indicates difficulty of maintaining earnings in face of higher costs and other difficulties. Maintenance of dividend at current rate uncertain. D

U. S. Freight Co.: Earnings this year for this largest consolidator of l.c.l. freight shipments into carload lots should come close to duplicating 1954's $5.61 a share. June redemption of outstanding debentures frees it from all interest bearing indebtedness. 50-cent quarterly dividend well protected. C

American Export Lines: Increased cargo and passenger traffic in 1955 should pull year's earnings well above dismal 1954 results. Signs of near-term dividend action, however, are lacking. C

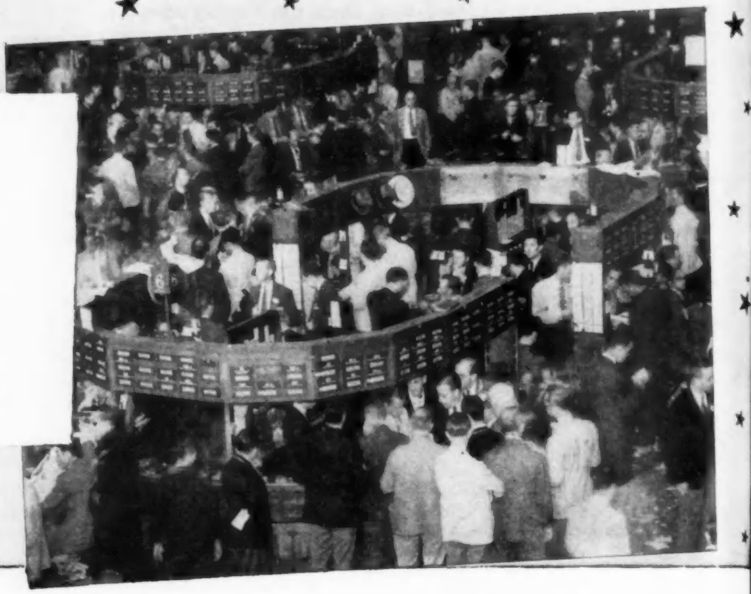
American-Hawaiian Steamship: 1955 earnings will depend upon realization of capital gains from sale of securities. Dividend payments suspended after deciding to build fleet of ships for U. S., intercoastal trade. Shares have high asset value. C

Moore-McCormack: Moderate improvement over 1954 net earnings $2.52 a share indicated. Quarterly dividends of 37½ cents a share should be maintained. C

United States Lines: Improved volume of freight and passenger traffic in 1955 should produce net earnings well above the $3.17 a share shown for 1954. Dividends of 37½ cents quarterly should continue. C

RATING: A: High-grade investment quality. B: Good grade. C: Speculative but improving. D: Unattractive.
[1] **Above-average appreciation potential at current market levels.** [2] **Retain for long-term investment.** [3] **Most attractive of group based on current market price.**

FOR PROFIT AND INCOME



Questions

It will take time for these two questions to be answered: (1) Is the market going through an intermediate correction which might go further and/or be more protracted than any previous 1955 downswing? (2) Might a minor bear market have started from the July high for industrials, the June high for rails? Meanwhile, both as a result of market action and of restrictive Federal credit policy, the investment-speculative mood is caution-to-doubtful. More attention is being paid to realistic values. Mistakes of over-valuation in individual stocks are being or will be corrected. There is more emphasis on conserving capital, less on possibilities of "making a fast buck." Regardless of the fact that they had been favorites of institutional buyers, many "good" stocks, bought around the year's highs, already show sobering losses. The sensible policy for you now is to defer new stock buying for a time and hold cash; or to give preference to high-grade bonds and/or preferred stocks, or selections among the few conservatively-valued, low-risk income stocks.

Low Risk

Low-risk income stocks include Melville Shoe, Bank of America, Consolidated Natural Gas, American Chicle, Pacific Lighting, Union Tank Car, United Shoe Machinery, Woolworth, Borden; and such electric utilities, among numerous others, as American Gas & Electric, Central & South West, Florida Power, Oklahoma Gas & Electric, Ohio Edison, Cleveland Electric and Philadelphia Electric.

Automobiles

There are current reports of recent sharp shrinkage of demand for automobiles in some localities. Car output, although tapering down, appears too high. With changes in 1956 models to be limited, as compared with the major changes in 1955 cars which resulted in a surprisingly dynamic surge in sales, it is hard to believe that 1956 automobile demand can equal this year's. (This is also the present view of some responsible sources in the industry). At present prices, we do not see much to "go for" in Chrysler or General Motors, although the latter remains a sound long-pull investment. Both can decline. We see no adequate basis for hanging on to American Motors, Kaiser Motors or Studebaker-Packard. Speculative wishful thinking will not make up losses in these stocks or prevent more loss.

Bloom Off

At least for the time being, much of the bloom is off a number of "growth" stocks which had previously been over-exploited. Some have reacted sharply to disappointing second-quarter earnings reports—disappointing either because of more or less shrinkage or merely because earnings were not up to hopes. Examples of this type, and percentage declines from 1955 highs to current prices, include Minneapolis - Honeywell 17%, Thompson Products 21%, Westinghouse Electric 23%, Dixie Cup 21% and Lily-Tulip Cup 22%. Others, reacting simply because they had been over-priced, are: Minnesota Mining & Mfg. 14%, Scott Paper 12%, Dow Chemical 13%, Monsanto Chemical 17%, Pfizer 10%, General Electric 11%.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1955	1954
Eastern Air Lines	6 mos. June 30	$1.68	$ .60
Minnesota Mining & Mfg.	Quar. June 30	1.01	.75
Hewett-Robins, Inc.	6 mos. June 30	1.57	1.33
Industrial Rayon Corp.	Quar. June 30	1.54	1.03
U. S. Gypsum Co.	Quar. June 30	6.42	4.92
American Viscose Corp.	Quar. June 30	1.45	.37
Lowenstein (M.) & Sons	Quar. June 30	1.03	.63
Simonds Saw & Steel	6 mos. June 30	3.95	1.60
Texas Gulf Producing	6 mos. June 30	1.01	.79
General Telephone Corp.	6 mos. June 30	1.15	.86

Allied Chemical 12%, Corning Glass 13%, Columbia Broadcasting 16%, Motorola 20% and Radio Corp., 16%. For comparison, the decline of the Dow industrial average from its high to the low up to this writing has been less than 4.5%.

Lesson

The figures cited point up the lesson that the game of buying "growth" stocks, partly on hopes that institutional demand will put them even higher, can be over-done—and has been over-done. Institutional demand can neither assure endless rise, nor prevent painful declines. One reason is that this demand is at times more than balanced by non-institutional selling. Another is that it is not as steady and constant as some investors imagine. Regardless of basic quality, a fund manager may temporarily stop buying a given stock on advance, resume buying on or after decline. Developments may also cause fund managers to change their minds on the merit of an issue they previously favored. Again, a high general market level and a much narrowed spread between stock yields and bond yields may cause them to put more of incoming cash into bonds, less into common stocks.

"Strong Hands"

You may hear it said truthfully that a given stock is "strongly held", meaning that there is no great floating supply for sale. So far as interim price fluctuation is concerned, that does not make too much difference. Even were 99% of the shares of a given company locked in strong boxes, sale of a small portion of the balance, at any time when demand is curtailed, can put the stock down. Each day the buying and selling which puts the market up or down involves turnover of only a tiny fraction of total listed shares, with the great majority of stockholders standing pat. In that sense, the tail always wags the dog in the stock market and determines prices.

Support

At this writing, stocks showing exceptional strength in a soft market include Kennecott Copper, American Snuff, Clark Equipment, Phelps Dodge, Filtrol, Hudson Bay Mining, North American Aviation, Republic Pictures, Schering, Allen Industries, and Timken Roller Bearings.

Soft Sisters

Issues performing considerably worse than the general market at this writing include Barber Oil, Bullard, Duplan, Gotham Hosiery, Mullins Mfg., Studebaker-Packard, Philco, Archer Daniels, Schenley, Link Belt, General Instruments and Westinghouse Electric.

Insider Operations

Considerable interest always attaches to the Stock Exchange's monthly reports of buying or selling by "insiders"—officers, directors or any large stockholders (one holding 10% or more of a company's shares, either directly or indirectly. As we have pointed out before, selling by an insider may reflect judgment that a stock is too high or knowledge of adverse company developments. A suspicious inference to that effect may be drawn if any major portion of total holdings is disposed of in the month for which the report is made. Again, selling may be merely to reduce over-concentration for purposes of estate-tax planning. Outright buying, not involving exercise of an option, necessarily means that the insider is bullish on his stock. He may be right in his long-term judgement, wrong in timing. He may be too enthusiastic about his company. Although he is better informed than the "outsider", what he bought or sold in July is not necessarily indicative of what you should be doing now, some weeks later and with stock prices lower.

Examples

Subject to the qualifications quoted, here are some "insider" July deals which might be worth your consideration: Substantial "insider" buying of Aluminum Company of America by two officers; of Armour by a director for account of Wertheim & Co.; of Bliss & Laughlin by an officer; of National Steel by its president; of Pittsburgh Consolidation Coal by its president; of Plymouth Oil by its president; and of General Electric by an officer. Here is some July "insider" selling large enough in proportion to holdings to raise questions: Columbia Broadcasting by its president; General Tire by a director; Sinclair Oil by its chairman; Hoffman Electronics by a director; Moore-McCormack Lines by an officer; and Nopco Chemical by a director.

Stock Dividends

When paid with a fair degree of regularity, stock dividends, not being taxable as income, can add to the appeal of a stock. The outstanding example is Sun Oil. At 74, the stock is priced at over 16 times likely 1955 earnings, or far above the general ratio for oils, and yields less than 1.4% from the $1 cash dividend. It remains the "darling" of wealthy investors because of promise of recurrent sizable stock dividends, in line with the policy followed by the company for a great many years. Since 1941 alone, on top of numerous previous ones, it has made 10 stock payments ranging between 8% and 16% each; and made the splits, one of 5-for-4 last year, one of 6-for-5 in 1947, equivalent to stock dividends of 25% and 20%, respectively. A few other better-class companies whose equities are supported by stock-dividend records and probabilities are Eastman Kodak, Ex-Cell-O, Grand Union, Citizens Utilities, Gulf Oil, International Business Machines, Plymouth Oil, Rohm & Haas. Sunbeam, Ruberoid, Skelly Oil and Standard Oil of California.

Viscose

At this writing American Viscose is at 58, down from recent high of 66, with good support indicated on improved earnings.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

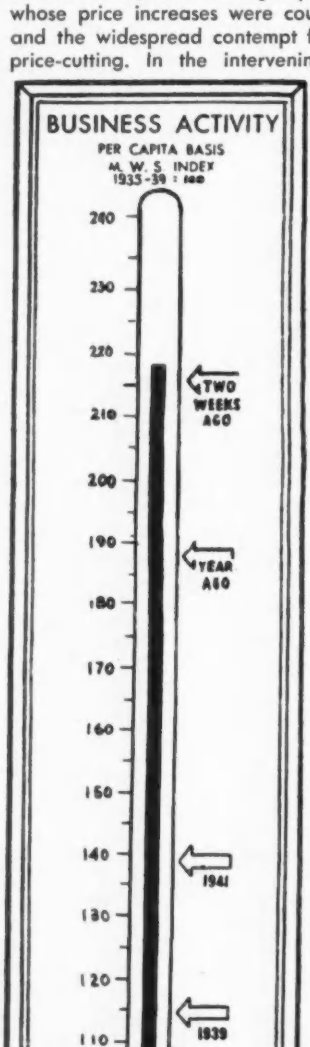
		1955	1954
People's Drug Stores	6 mos. June 30	$1.11	$1.21
McGraw Electric Co.	6 mos. June 30	2.28	2.48
American Mach. & Foundry	6 mos. June 30	.57	.78
Motorola, Inc.	Quar. June 30	.41	.63
Bliss (E. W.) Co.	Quar. June 30	.38	1.02
Bangor & Aroostook R. R.	6 mos. June 30	3.29	4.83
Chance Vought Aircraft	Quar. June 30	.98	1.77
Foster Wheeler Corp.	6 mos. June 30	1.53	4.24
Trane Co.	Quar. June 30	.65	.71
Elliott Co.	6 mos. June 30	.09	1.59

The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

By E. K. A

Not so many months ago it was popular to contend that there could be no inflation. Exponents cited the buyers' market, more pronounced than at any time since the close of World War II; the sobering experience of the coffee industry, whose price increases were countered with consumer strikes, and the widespread contempt for "list price" in a period of price-cutting. In the intervening months the situation has changed considerably, although many consumer durables, notably automobiles, still sell at a sharp discount. However, it would be a mistake to suppose that the price stability that has characterized the economy the past four years can be maintained entirely intact after the rash of cost adjustments made and about to be made.



Prices of manufactured goods actually have fallen nearly 2% from their 1951 high, but the law of diminishing returns now is taking its toll. With the latest rise in the cost of labor and raw materials, it should come as no surprise that the upward spiral has resumed. Nor have we seen an end to the 1955 round of wage rises, which must be compensated, in many instances, by higher prices for capital and consumer goods. The action of steel producers, who raised their prices more than $7 a ton the very day they granted wage rises, will have a pronounced effect, for that commodity is used throughout the manufacturing economy. Also, late last month copper prices were advanced to 40 cents a pound from 36 cents. It was the third copper price advance this year and brought the new level 10 cents above the price that prevailed from April, 1953, until early this year. As in the case of steel, active demand for the metal paved the way for a rise, although copper producers could cite higher wage costs. Prices of soft coal will also stiffen as a result of the agreement reached by miners and operators.

Aluminum, antimony, tin mill products and brass mill items, to cite a few, also have risen. Elsewhere, makers of tractors and earth-moving equipment have jacked up prices, while producers of such diverse products as den.m goods, tires, television sets, kitchen appliances and tobacco products also have advanced prices. The list grows steadily. It is noteworthy that prices are going up, not only for metals hard to come by, but for consumer goods that are abundant. This is a departure from the pattern that has prevailed since the end of the Korean War, since which time the custom has been for manufacturers of finished goods to "eat" costs. Reta.iers, by and large, followed the same practice, but along with manufacturers they now must pass on at least a portion of their higher costs.

It is still too early to say how the consumer wi.l react to the upward swing in prices. Much of the merchandise now offered for sale was made with lower-priced steel and by workers who had not yet obtained this newest wage boost. However, it is reasonable to assume that a record 65 million people gainfully employed at the highest wages in history will take in stride those mild increases that are designed to compensate for the new high costs. Indeed, with the "crazy" credit system now in vogue, many purchasers are interested primarily in terms and only secondarily in prices. That is to say, sales of consumer durables would be much harder hit by restricted credit than by any small price boost.

In the months ahead, the pinch, which long has been felt by manufacturers and retailers, will spread to the salaried families and folks living on pensions, annuities or dividends. The ease with which Big Business and Big Labor have been able to compose their differences (grant higher wages and pass on the cost) doesn't help those whose income is held at rigid levels.

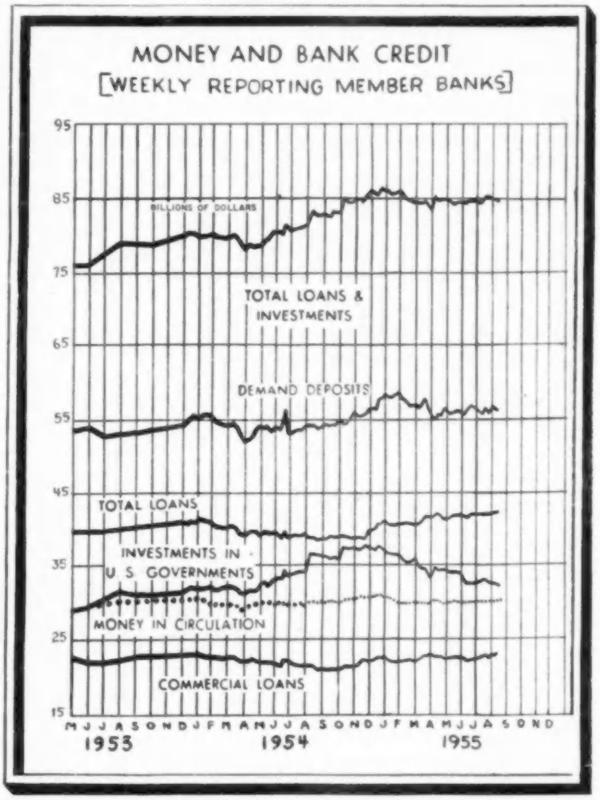
Between now and yearend the tempo of price rises should mount and the scope of action should be enlarged. Higher prices are in prospect for such items as lumber, heating fuel, many paper and paperboard items, hides and leather, and a wide array of textiles.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Further tightening of credit was noted in the past two weeks. An interesting illustration of the trend was the calling of $20 million in security collateral loans by the Guaranty Trust Co. of New York. This is the first time in 22 years that any major New York bank has taken such action. No doubt, this is part of a general move, encouraged by the Federal authorities, to restrict the use of credit for speculation. Actually, the Federal Reserve Board is much more concerned with the rapid extension of the use of credit for purchases of consumers' goods. In order to discourage such borrowing, the Board has twice raised its discount rate this year and is expected to raise it again in September. The probable increase will be 2¼% from the newly established 2% rate. As a matter of fact, one district, the Cleveland Federal Reserve, raised its rate to 2¼% when the 11 others recently merely raised the rate to 2% from the previous 1¾% rate. It is apparent that the Federal authorities are now intent on active restraint of the use of credit, particularly with respect to consumer borrowings, as against the recent policy of "mild restraint". The objective is to prevent an inflationary spiral from starting, a clear and present danger in view of the increasing pressure against the price line caused by the monumental rise in the volume of business activity since the beginning of the year and the attendant rise in the demand for credit. To put it simply, the Federal authorities want to slow down the speed of the boom lest prices get out of hand. They believe that by so doing, they can assist in holding the formidable surge in business to manageable levels.

The fact that the monetary authorities have recently concentrated their main attention on the over-expansion of consumer credit, has alerted investors to the possibility that a diminution of borrowing in this field would release funds for other needs. As a result, fixed income securities have encountered better support and Treasury obligations have strengthened. In the corporate sector, the market has had to cope with a swollen new issue calendar, amounting on August 19 to $577 million, on which offering dates have been set, and prices have worked moderately lower. The yield on an average of highest grade corporate obligations rose 3 basic points in the two weeks ending August 22, to reach 3.12%, the year's high. This compares with a 2.91% return available on these securities early in 1955.



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TRADE—The Commerce Department's preliminary report on July retail sales indicates that the month's results, on a seasonally adjusted annual basis were at a new high, 2% above June and 9% ahead of a year ago. The month was featured by a striking increase in demand for household appliances. Auto sales, although below June, continued to run far above a year ago.

July's good showing seems to be continuing in August with Dun & Bradstreet estimating that dollar volume for the week ending Wednesday, August 17, was about 4% ahead of a year ago. The usual August furniture clearances have evoked a good consumer response and buying of food was running well ahead of a year ago.

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INDUSTRY—Industrial output as measured by the Federal Reserve Board's seasonally adjusted index, reached a new high in July at 140% of the 1947-1949 average. The best gain was in output of consumer durables, with auto assemblies exceeding the previous July record, set in 1950, by 58,000 units. Output of household durable goods rose further in July from the high June level. Production of building materials increased somewhat but primary metal output was reduced by curtailed operations in copper and steel mills. Steel production suffered from work stoppages in the first few days of the month and output averaged 85% of capacity, versus 94% in June but has since recovered to a scheduled 92% of capacity in the third week of August.

(Please turn to following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	June	3.7	3.3	4.5	1.6
Cumulative from mid-1940	June	593.7	590.0	552.2	13.8
FEDERAL GROSS DEBT—$b	Aug. 15	276.7	272.1	274.7	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Aug. 10	55.6	55.9	54.1	26.1
Currency in Circulation	Aug. 17	30.3	30.3	29.9	10.7
BANK DEBITS—(rb)**					
New York City—$b	July	60.7	62.6	63.1	16.1
343 Other Centers—$b	July	104.9	108.6	95.6	29.0
PERSONAL INCOME—$b (cd2)	June	301.2	301.4	286.7	102
Salaries and Wages	June	208	207	196	99
Proprietors' Incomes	June	48	49	48	23
Interest and Dividends	June	26	26	25	10
Transfer Payments	June	17	18	16	10
(INCOME FROM AGRICULTURE)	June	14	15	15	3
POPULATION—m (e) (cb)	July	165.2	165.0	162.4	133.8
Non-Institutional, Age 14 & Over	July	117.4	117.3	116.2	101.8
Civilian Labor Force	July	67.5	66.7	65.5	55.6
Armed Forces	July	3.0	3.0	3.3	1.6
unemployed	July	2.5	2.7	3.3	3.8
Employed	July	65.0	64.0	62.0	51.8
In Agriculture	July	7.7	7.7	7.5	8.0
Non-Farm	July	57.3	56.3	54.7	43.2
Weekly Hours	July	42.7	41.8	38.4	42.0
EMPLOYEES, Non-Farm—m (lb)	July	49.5	49.5	47.9	37.5
Government	July	6.7	6.9	6.6	4.8
Trade	July	10.6	10.6	10.4	7.9
Factory	July	13.0	13.1	12.2	11.7
Weekly Hours	July	40.3	40.7	39.4	40.4
Hourly Wage ($)	July	1.88	1.87	1.80	77.3
Weekly Wage ($)	July	75.76	76.11	70.92	21.33
PRICES—Wholesale (lb2)	Aug. 16	110.3	110.2	110.5	66.9
Retail (cd)	May	207.8	207.9	208.7	116.2
COST OF LIVING (lb2)	July	114.7	114.4	115.2	65.9
Food	July	112.1	111.3	114.6	65.9
Clothing	July	103.2	103.2	104.0	59.5
Rent	July	130.4	130.4	128.5	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	June	15.3	15.4	14.4	4.7
Durable Goods	June	5.6	5.5	5.0	1.1
Non-Durable Goods	June	9.8	9.9	9.4	3.6
Dep't Store Sales (mrb)	June	0.88	0.89	0.85	0.34
Consumer Credit, End Mo. (rb)	June	32.5	31.6	28.7	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	June	27.8	27.7	22.0	14.6
Durable Goods	June	14.1	14.3	9.8	7.1
Non-Durable Goods	June	13.7	13.4	12.1	7.5
Shipments—$b (cd)—Totals**	June	27.1	26.6	23.3	8.3
Durable Goods	June	13.5	13.3	11.3	4.1
Non-Durable Goods	June	13.6	13.3	12.1	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	June	78.8	78.4	78.7	28.6
Manufacturers'	June	43.8	43.5	44.2	16.4
Wholesalers'	June	11.8	11.8	11.9	4.1
Retailers'	June	23.2	23.0	22.6	8.1
Dept. Store Stocks (mrb)	June	2.5	2.5	2.4	1.1
BUSINESS ACTIVITY—1—pc	Aug. 13	217.0	217.2	188.2	141.8
(M. W. S.)—1—np	Aug. 13	275.5	275.8	234.2	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 719)

COMMODITIES—Commodity markets continue to exhibit two sharply contrasting trends, with strength for industrial materials counterbalanced by weakness for agricultural products. In the past month alone, the Labor Department's index of prices of farm products has fallen 1.8% and is now 8.3% under a year ago. In contrast to this performance, a representative index of sensitive industrial materials has been firm in the past month and stands 11.5% above the corresponding 1954 date.

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The nation's **OUTPUT** of goods and services reached a new high in the second quarter, of $384.8 billion, at annual rates, up $9.5 billion from the first three months and $27.2 billion ahead of a year ago. The most recent advance was wholly attributable to the private sector of the economy with the biggest gain in the field of domestic investment, which rose by $6.0 billion. In this area, construction spending was up $0.9 billion, purchases of producers' durable equipment advanced $2.2 billion and inventory accumulation was $2.8 billion higher. Consumers were also important contributors to the upturn, increasing their purchases by $4.7 billion in the latest quarter. In the governmental sector, outlays were lower on balance, with a $2.0 billion decline in Federal expenditures outweighing a gain of $0.3 billion in spending by local governments.

* * *

The fast-rolling **AUTO INDUSTRY** is beginning to slow down for model changeovers, although some of the bigger producers are still operating at full tilt. Output so far this year amounts to 5,352,347 passenger cars through August 20 and it is estimated that close to 7.5 million cars will be built before the year is over, well above the 1950 record, when 6.7 million autos came off the assembly lines. Retail sales so far this year have been high but have not matched output, so that inventories in dealers' hands have climbed to new records, with 836,262 cars in stock on August 1. At

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	July	140	139	123	93
Mining	July	122	123	112	87
Durable Goods Mfr.	July	157	155	134	88
Non-Durable Goods Mfr.	July	128	128	114	89
CARLOADINGS—t—Total	Aug. 13	775	765	685	933
Misc. Freight	Aug. 13	374	367	337	379
Mdse. L. C. I.	Aug. 13	65	65	63	66
Grain	Aug. 13	55	57	55	43
ELEC. POWER Output (Kw.H.) m	Aug. 13	10,729	10,925	8,996	3,266
SOFT COAL, Prod. (st) m	Aug. 13	9.3	7.9	7.9	10.8
Cumulative from Jan. 1	Aug. 13	274.2	264.9	227.5	44.6
Stocks, End Mo.	June	69.5	66.4	69.6	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Aug. 12	6.6	6.6	6.2	4.1
Gasoline Stocks	Aug. 12	155	156	156	86
Fuel Oil Stocks	Aug. 12	46	45	56	94
Heating Oil Stocks	Aug. 12	122	119	108	55
LUMBER, Prod.—(bd. ft.) m	Aug. 13	268	261	151	632
Stocks, End Mo. (bd. ft.) b	May	8.8	8.9	9.4	7.9
STEEL INGOT PROD. (st) m	July	9.1	9.7	6.6	7.0
Cumulative from Jan. 1	July	66.3	57.2	50.8	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Aug. 18	322	334	259	94
Cumulative from Jan. 1	Aug. 18	12,083	11,760	9,125	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Aug. 13	260	368	238	165
Cigarettes, Domestic Sales—b	June	36	34	35	17
Do., Cigars—m	June	510	506	510	543
Do., Manufactured Tobacco (lbs.)m.	June	18	18	18	28

PRESENT POSITION AND OUTLOOK

current sales rates this would keep dealers supplied for six to seven weeks. With an average five week production hiatus coming up while producers whip their 1956 models into shape, dealers are hoping to utilize this breathing space to whittle down their stocks.

* * *

NEW HOUSING STARTS declined more than seasonally in July, with 115,000 units begun, an 11% decrease from June and 1,000 homes below the July, 1954 level, the Labor Department has reported. At seasonally adjusted annual rates, July starts for private houseowners were equivalent to 1,202,000 units, the lowest level in eleven months and down 19% from the all-time peak for this indicator, which was reached in December, 1954. The contraction in new housing starts results in part from the tightening of available private mortgage money. Government agencies, on July 30, instituted increased down payments and shorter maturities on Government assisted housing, but this could not have affected July results.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1955 Range High	1955 Range Low	1955 Aug. 12	1955 Aug. 19
300 Combined Average	322.1	282.0	314.7	313.6
4 Agricultural Implements	340.6	264.9	313.5	313.5
3 Air Cond. ('53 Cl.—100)	116.0	97.4	98.6	97.4
10 Aircraft ('27 Cl.—100)	1084.9	871.7	927.3	945.8
7 Airlines ('27 Cl.—100)	1263.6	971.2	1138.3	1117.4
4 Aluminum ('53 Cl.—100)	331.0	191.1	315.2	313.2
7 Amusements	180.6	147.0	180.6	177.4
9 Automobile Accessories	362.3	308.3	352.8	346.4
6 Automobiles	54.4	44.3	52.6	52.1
4 Baking ('26 Cl.—100)	30.3	27.8	29.5	29.5
3 Business Machines	930.6	657.4	844.2	830.9
6 Chemicals	564.9	466.6	535.4	530.5
3 Coal Mining	19.4	14.8	18.6	18.7
4 Communications	116.6	103.9	108.1	107.1
9 Construction	122.9	106.4	117.4	117.4
7 Containers	747.7	675.1	696.9	689.6
7 Copper Mining	303.3	222.2	303.3	303.3
2 Dairy Products	127.0	117.6	122.3	122.3
6 Department Stores	96.2	80.0	93.7	93.7
5 Drugs-Eth. ('53 Cl.—100)	151.2	129.6	145.8	145.8
6 Elec. Eqp. ('53 Cl.—100)	174.7	156.0	162.2	160.7
2 Finance Companies	651.1	577.3	583.5	577.3L
6 Food Brands	300.6	266.6	279.7	284.9
3 Food Stores	156.5	137.7	152.1	156.5H

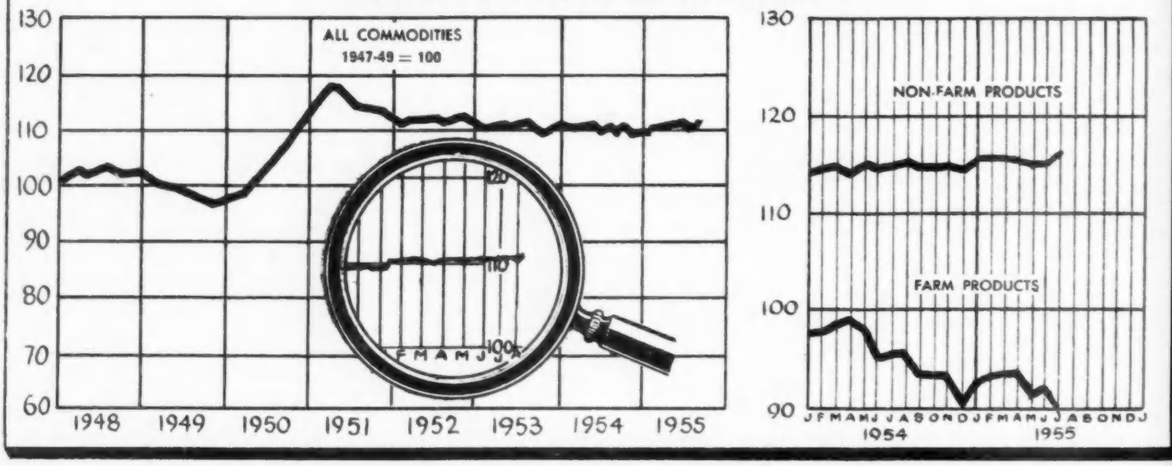
(Nov. 14, 1936 Cl.—100)	High	Low	1955 Aug. 12	1955 Aug. 19
100 High Priced Stocks	210.9	180.6	204.8	204.3
100 Low Priced Stocks	387.5	343.5	379.9	378.2
4 Gold Mining	806.0	656.2	699.0	691.9
4 Investment Trusts	157.1	143.8	148.2	151.2
3 Liquor ('27 Cl.—100)	1090.9	961.3	1015.3	1036.9
9 Machinery	395.8	317.7	343.7	337.2
3 Mail Order	204.9	159.3	200.0	195.1
4 Meat Packing	134.4	112.8	123.6	121.2
5 Metal Fabr. ('53 Cl.—100)	183.7	155.9	170.6	170.6
10 Metals, Miscellaneous	441.4	358.2	441.4	437.8
4 Paper	1009.4	767.1	952.9	952.9
22 Petroleum	674.2	590.8	650.2	638.1
22 Public Utilities	256.2	234.8	253.8	253.8
7 Railroad Equipment	88.4	73.4	83.1	83.9
20 Railroads	77.9	64.7	73.3	73.3
3 Soft Drinks	565.7	459.9	538.1	538.1
11 Steel & Iron	282.5	219.2	275.7	275.7
4 Sugar	68.8	56.1	60.7	60.7
2 Sulphur	955.7	813.2	863.4	855.1
10 Television ('27 Cl.—100)	47.3	40.7	42.7	42.7
5 Textiles	187.4	148.4	175.4	173.9
3 Tires & Rubber	165.3	137.8	152.3	152.3
5 Tobacco	90.5	81.9	88.8	89.6
2 Variety Stores	315.0	286.9	296.3	299.4
15 Unclassif'd ('49 Cl.—100)	158.1	146.3	152.2	152.2

H—New High for 1955. L—New Low for 1955.

Trend of Commodities

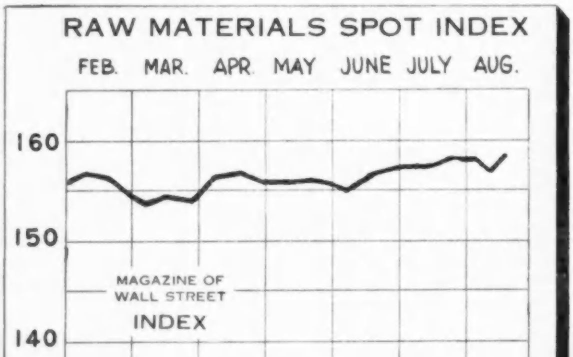
Most commodity futures markets were rather quiet in the two weeks ending August 23 and changes in most cases were relatively small. The Dow-Jones Commodity Futures Index lost 0.90 points during the period to close at 152.96. December wheat closed at 197¼ on August 23, unchanged from a fortnight earlier. Heavy mill buying was reported but large offerings from the Northwest prevented an advance in prices. Private export demand has been limited, with harvests in Europe, the principal importer, reported as very favorable. The Department of Agriculture is increasing its efforts to export wheat owned by the Commodity Credit Corporation and has hired a sales manager from private industry to accelerate the program. So far the CCC has done rather well, with sales between July 1 and August 5 of this year at close to 40 million bushels, a 24% advance over a year ago. Official sources estimate that the Canadian wheat carryover on July 31 amounted to 481 million bushels, more than double the 207 million bushel average of the past decade, although under the 583 million bushel carryover of 1954. December corn added 1¼ cents in the period under review to close at 127½. Demand for corn has been slow, even at current low prices and competition from other feeds is intensifying. Corn disappearance in the nine months ending June 30, 1955, amounted to 1,996 million bushels, the lowest for this span in seven years. Cotton was little changed in the fortnight ending August 23. The December added an inconsequential 2 points during the period to close at 33.77. Spot cotton in the South is close to the Government support level but uncertainty over disposal of the large CCC stocks has been a factor tending to hold prices down.

WHOLESALE COMMODITY PRICES



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — 1947-1949, equals 100

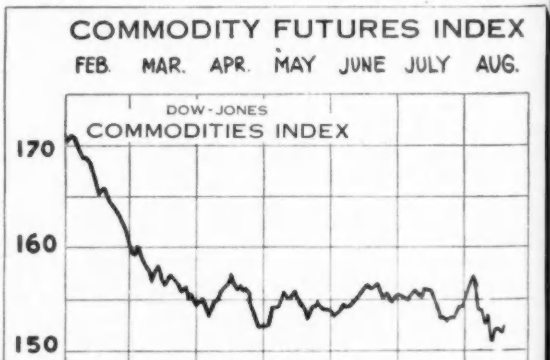
	Date Aug. 19	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	89.2	90.4	89.2	91.6	53.0
9 Foodstuffs	79.1	80.6	86.5	99.6	46.5
3 Raw Industrial	96.8	97.6	91.0	86.3	58.3
5 metals	116.1	116.3	105.3	95.4	54.6
4 Textiles	80.8	81.8	85.3	88.2	56.3
4 Fats & Oils	63.6	64.1	65.1	69.5	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	158.1	162.2	181.2	215.4	111.7	88.9	57.7	86.6
Low	147.8	147.9	160.0	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1954-55	1953	1952	1951	1945	1941	1938	[illegible]
High	183.7	166.5	192.5	214.5	95.8	74.3	65.8	[illegible]
Low	150.8	153.8	168.3	174.8	83.6	58.7	57.5	[illegible]

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

General Acceptance Corporation

"With the large expansion of auto and other financing, I am particularly interested in securing earnings and other data of General Acceptance Corp." F. I., Montclair, N. J.

General Acceptance Corporation is a diversified consumer financing company. It finances automobile purchases and is also in the small loan business, etc.

A record first half of $740,247 net income after taxes, up 19% over last year's $621,101, has been reported by General Acceptance Corp. Volume for the six months ended June 30, 1955 also set a new high of $66,170,144, an increase of 43% over last year's $46,232,797.

Net income per common share for the first half of the year, after preferred dividends, was equal to 60 cents on the 1,127,835 shares outstanding on June 30, 1955. In the like six months of 1954, per common share earnings were also 60 cents after preferred dividends, on the 934,907 common shares outstanding on June 30, 1954. Conversion of debenture issues was the principal factor for the rise in common shares outstanding. (Based on shares outstanding on June 30, 1955, per common share net income in the first half of 1954 was equivalent to 50 cents.)

Repossessions have been materially reduced in the past year. In the large majority of cases, the amounts still outstanding on automobiles the company financed are safely below their resale value. Delinquencies are at all-time low, according to a company official. He estimates that total delinquency and repossessions are down 50% or more from last year.

Since the beginning of the year, General Acceptance has added 25 new operations. The company now has 111 offices in 19 states.

During the first half of the year, deferred income — consisting of unearned finance charges and unearned insurance premiums — rose 8% and receivables, net of reserves, were up 17%.

Operations for the full year of 1955 suggest a good possibility that net income after taxes will exceed the $1,500,000 mark, a record high for the company. This would compare with $1,354,836 in 1954. In spite of the larger number of shares outstanding, earnings per share basis are expected to be maintained at last year's level.

Dividends of 25 cents quarterly have been paid thus far in the current year and the same amount was paid in 1954.

Eagle-Picher Company

"Please furnish data as to earnings, financial position and outlook for Eagle-Picher Co." P. M., Ft. Wayne, Indiana

Eagle-Picher Company mines and smelts zinc, lead and some germanium for transistors. Through expansion and acquisitions, manufacturing operations now account for about 75% of sales. Reflecting this, and sharp increase in Government business, earnings have been upward in recent years. Company is continuing its acquisition program and basic earning power is improving.

The company's sales for the first half of the 1955 fiscal year to May 31, showed a substantial increase over those for the first half of 1954 and net profit, before and after provision for income taxes, was materially higher than for the corresponding 1954 period. Net worth at May 31, 1955 reached an all-time peak.

Consolidated net profit for the six months ended May 31, 1955 amounted to $2,086,942, equivalent to $2.11 per share, compared with $609,188, or 62 cents for the same period of 1954.

Net sales for the first six months of 1955 were $55,750,648 compared with $32,400,906 for the first half of 1954, an increase of 72%. Exclusive of sales of the Fabricon Products Division, acquired in July 1954, the increase in other divisions of the company amounted to 27%.

At May 31, 1955, current assets totalled $31,911,729, including $8,462,956 of cash and U. S. Government securities and current liabilities were $11,245,557. Net current assets of $20,666,172 compared with $18,447,048 at November 30, 1954, an increase of $2,219,124. Net worth at May 31, 1955 was $32,955,977, or $33.32 per share.

Quarterly dividends of 37½ cents per share (at the annual rate of $1.50 per share) have been paid during 1955.

In May, the company purchased for cash the assets of Wilson & Hoppe Plastics, Whittier, California, a small manufacturer of laminated plastic products. Its operations are now conducted by the Fabricon Products Division.

The outlook for the second half of 1955 has been improved by a moderate increase in zinc prices.

(*Please turn to next page*)

Answers to Inquiries

(*Continued from page* 723)

Pillsbury Mills

"I have been a subscriber to your magazine for over 3 years and find it very informative. I would appreciate receiving information on Pillsbury Mills as to recent sales volume, earnings and any new developments in prospect."

C. W., Asbury Park, N. J.

Pillsbury Mills reported an increase in sales and earnings for the fiscal year ended May 31, 1955. These increases were attributed to expansion of the product line, installation of improved management control procedures, modernization of plants and equipment, as well as elimination of unprofitable operations.

Pillsbury reported net sales of $341,142,238 for 1954-55, compared to sales of $335,955,428 the preceding year. Earnings were $5.38 per share on an average of 931,125 common shares. Previous year's earnings were $4.93 per share on an average of 927,115 common shares.

Net earnings amounted to $5,271,895, compared with $4,855,120 for 1953-54. This represents an increase of 8.6%.

Dividends of $2.00 annually have been paid the same as in the preceding year.

The food industry is growing in line with the country's increased population, a good economy and better eating habits — a better standard of living for all. While Pillsbury faces strong competition in all lines, definite progress was indicated in the number of new products successfully marketed during the year, including six new grocery mix products and a new refrigerated product, as well as a number of new products in the bakery, institutional and feed divisions. A long range program of modernization and expansion of production facilities was undertaken during the year as a continued effort to adopt to the growing food market. Prospects over coming months continue favorable.

The stock this year has sold as low as 46¼ and as high as 59¼. This second largest of the nation's flour millers has a long record of earnings stability and has paid dividends in each year since 1924.

Garrett Corporation

"I liked very much your article on '1955 Prospects for Aircrafts-Airlines' in the May 28th issue. However, I am interested in Garrett Corporation which was not included in the article. Will you please state the exact nature of the company's business, give recent earnings and prospects."

R. F., Portland, Maine

Garrett Corporation is a prominent manufacturer of high-altitude and high-speed aircraft equipment. The company has very substantial defense contracts and its record in recent years has shown good progress.

A net profit of $2,707,309 from consolidated sales of $76,451,725 for the 9 months period ended March 31, 1955, was reported by The Garrett Corporation.

Profit represented an increase of $301,381 over the same period a year ago when $2,405,928 was realized from total sales of $76,274,729.

Earnings per share for the current 9 months amounted to $3.71 on the 728,135 shares outstanding at March 31, 1955, compared with $3.30 per share for the corresponding 9 months of the previous year computed on the same number of shares.

Profit before taxes, as related to sales, was about 1/10th of 1% lower than the previous period; however, the current provision for Federal and Canadian income taxes totalled $3,353,284, a decrease of $401,202 for the comparable period in 1954, due mostly to the Government's elimination, during the last year, of the excess profits tax.

The backlog, including letters of intent, of approximately $100 million reported for the Garrett Corporation's AiResearch Manufacturing divisions and other manufacturing divisions on July 31, 1955, compares with a backlog of $93 million announced at this time last year.

The company offered stockholders in May rights to subscribe to additional shares at a ratio of 1 new share for each 4 shares held. This additional common stock will provide new capital funds of approximately $7 million.

The company also arranged a $25 million credit with banks, of which 70% is guaranteed by the Air Force. This bank credit is to be used to finance defense production.

The backlog of orders indicates good earnings outlook over coming months and maintenance of dividends at the recently increased 50 cent quarterly rate is anticipated. The company has a good record of developing new products in the aircraft industry and technological trends favor its further expansion.

Bulova Watch

"After a trial subscription to your magazine for one year. I have recently renewed as I found your publication very helpful in planning my investment program. I would appreciate receiving late data on Bulova Watch, particularly in regard to its expansion program."

J. S., New Rochelle, N.Y.

Bulova Watch is one of the leading producers and importers of watches and watch movements. Sales have shown good growth over a period of years and earnings and dividend record is good. The company is diversifying its operations by expansion into other fields.

The extensive research in automation is being conducted under Government contract by Bulova Research & Development Laboratories, a subsidiary, of which General of the Army Omar N. Bradley is Board Chairman. More than 300 scientists and engineers are presently employed.

Bulova plans to enter the electric shaver field, with a precision product embodying an entirely new principle. Pilot models have been under test for more than a year and actual production awaits final improvements. It is now acquiring a 25% interest in Tiffany & Co., 5th Avenue jewelers.

During the latest year, sales of clock and portable radios were double those for fiscal 1954 and new models were added to the company's line. Also, a new line of self-winding watches for women was placed on a volume production basis. Deliveries of defense items to various branches of the Armed Services exceeded $27 million compared with approximately $17 million in fiscal 1954.

For the fiscal year ended March 31, 1955, net income was $2,951,821, or $4.54 a share, on sales of $76,411,065. For the preceding year, net was $2,866,220, or $4.4 a share, and sales were $68,670,548.

A 200 percent stock dividend and 30¢ cash dividend was declared payable Sept. 30 to holders of record Sept. 9.

GOING PLACES *in the roaring jets with Cities Service...*

gargantuan, ever-growing thirst of the military jet planes was slaked year by 124,000,000 gallons of Cities Service jet fuels. Cities Service refineries geared to provide increasing quantities of vital defense matériel.

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Can Steels Maintain Their Fast Pace?

(*Continued from page* 700)

Already, several steel companies which formerly were of a highly marginal character have improved their position by making generous investments in plants and equipment. In the forefront of this group is Pittsburgh Steel, which has increased its finished steel capacity by 80 per cent since 1950. Pittsburgh Steel is now an important supplier of the auto industry. Currently it is gradually improving the performance of its new equipment. If the steel business remains good, Pittsburgh Steel will share in the industry's prosperity to a greater extent than has been the case to date.

Another company which is is in an excellent position to benefit from the continued high level of activity in steel is Sharon Steel. Sharon's earnings in the first half totaled $4.08 a share, against only 58 cents a share in the same period of 1954. Currently Sharon is selling at less than six times indicated earnings for this year, —a more generous basis than the U. S. Steel and Bethlehem, which are selling at more than eight times indicated earnings for this year.

For the long term, most of these marginal steel producers must accept the fact that they must plow back into their properties a very large proportion of earnings, if they are ever to become competitive with the low cost, efficient major producers.

Before many months, the major companies will launch a new expansion program. These new investments will, if they follow the pattern of the past, result in a temporary excess of capacity, which would again make it difficult for the marginal producers to charge premium prices or to book enough business to keep their plants engaged at a profit-making level.

But one possibility exists which may make the next round of steel expansion different from those of the past. The Treasury Department is talking about establishing a more restrictive policy governing the granting of certificates of necessity for accelerated amortization of new plants. If the Treasury Department goes through with this threat, steel companies, for a time, at least, will be disposed to "play their cards closer to their chests." That is, they will undertake only such expansion as is warranted in the light of current profit margins on investments. The major steel producers say that at current steel prices, a return of only 3 per cent a year can be obtained on new integrated steel capacity costing $250 a ton on the average. This is not enough to stimulate new construction, unless the companies can at the same time generate cash flow through accelerated amortization.

Hence, it is possible that unless the Government decides to grant accelerated amortization on new plants, the construction program of the steel industry would be retarded and marginal steel companies would continue to prosper. If general business remains good, steel may remain in tight supply for some time to come. Certainly, on the basis of the present supply-demand situation, it appears that steel requirements are greater than steel capacity.

But it would require great courage to make long term commitments in marginal steel stocks on the basis of any hope that steel expansion will be checked for very long. Steel is the basic metal required in any expansion of industrial output. The steel industry might drag its heels for a time on expansion in the hope that the Government would see the wisdom of granting accelerated amortization. But sooner or later, the need for steel would have to be recognized; the steel industry could not afford to stand in the path of national progress. Whether the controversy will be resolved by granting accelerated amortization, or by a series of price rises on steel which will provide an adequate incentive for new investments, remains to be seen.

At present, it appears that the trend of steel prices is upward, whether or not the Government grants new certificates for accelerated amortization. If two or three successive price rises are instituted in the inflationary climate of the next year or two, as seems likely, major producers as well as marginal producers will benefit by the improvement in profit margins. Stocks like U. S. Steel, Bethlehem, Republic, and Jones & Laughlin, Armco, and Inland and National will seem to be most tractive long term investments the light of lower break-e points and a prospective incre of 30 per cent on steel capa during the next ten years.

The secondary steel stocks l like interesting speculative s ations for the short or inter diate range. But unless th companies are prepared to m a determined effort to reduce th break even points, or incre their capacity, they would h to be ruled out as long range vestments.

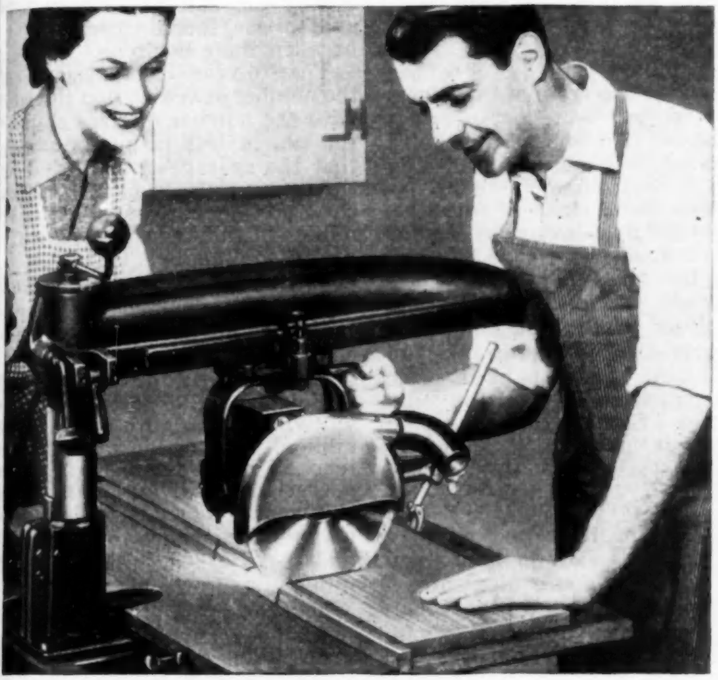
For the near term, all s companies will benefit from recent increase in steel prices will be nine months at least fore higher costs of purcha goods and services, plus the w boost of 15 cents an hour, f catch up with the boost of $7 a ton in steel prices. This me that in the third and fourth qu ters, the price rise will more th offset the higher cost of wa plus higher coal costs, hig transportation charges and other new cost factors that en into the making of steel.

In the third quarter, prod tion will not quite equal the r ord breaking output of the seco quarter, owing to the effects the brief steel strike at the ginning of July, as well as beca of hot weather and the need making long overdue repairs furnaces. But the rate should well over 90 per cent for the qu ter, and the higher steel pri should go a long way towa making this quarter almost good profit-wise as the seco quarter. In the fourth quar production should again be b at the levels of the second qu ter, if not higher, and some be ficial effects of the July pr boost should still be seen in ea ings.

Thereafter, any new gains steel earnings will have to c from new price rises, or f additions to capacity. Ar Steel, Inland and Bethlehem in the forefront of compa which are pushing aggressive pansion programs. In many ca new furnaces do not have to added to get additional out For the march of technolog rapid, and by investing mone equipment to wash coal, to si ore, and to add oxygen to melting process, substantial g in output may be obtained at

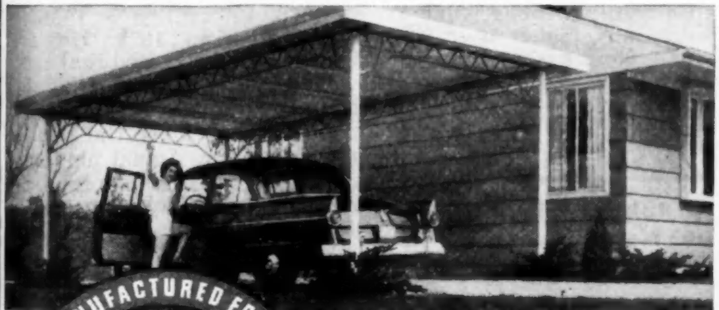
(*Please turn to page* 730)

Only STEEL can do so many jobs so well!

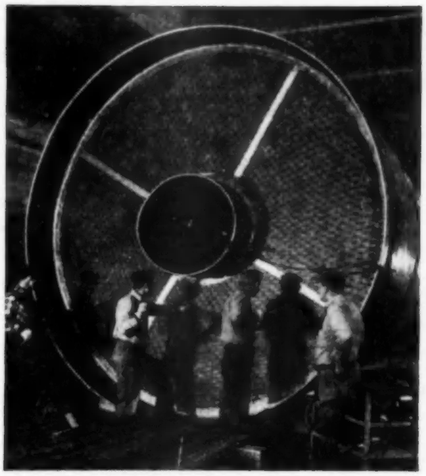


Do It Yourself—The Easy Way. Steel power tools have made it possible for the amateur to make high-quality furniture. With a true-running saw, for example, you can be sure of precise cuts and tight joints. Multi-purpose steel power tools furnish the accuracy and remove the drudgery from workshop projects.

This Monkey Shines in the eyes of the public utility men. They actually call it an industrial monkey, and it's made from USS National Seamless Mechanical Tubing. The monkey swivels, goes up and down, and will turn in a complete circle. The tubing is pierced from a solid billet of steel.



Install Your Own Carport. Two men, without special training, can erect this all-steel carport in a matter of hours. The lightweight steel structural members and roof sheets are rigid and strong . . . and they'll look like new ten years from now.



It Looks Like A Sieve, but it's really a USS Stainless Steel Plate fabricated for a chemical company. The plate contains 25,400 holes, and each hole supports a piece of tubing. It's made from Stainless Steel because no other material has such a unique combination of corrosion and heat resistance, along with high strength.

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See the United States Steel Hour. It's a full-hour TV program presented every other week by United States Steel. Consult your local newspaper for time and station.

Can Steels Maintain Their Fast Pace?

(Continued from page 728)

atively minor cost. U. S. Steel has been in the forefront of this movement to "get more out of what we have." The sensational gains in earnings chalked up by Big Steel reflect some of those improvements to existing furnaces, and other investments of similar nature are being made. Bethlehem, too, has been getting a better yield out of its plants, and has added new rolling mills costing over \$100 million, to take full advantage of this gain in basic ingot capacity. Even if the long-discussed Bethlehem-Youngstown merger is not effected, Bethlehem is in a position to increase its earnings for the long range, by expanding its capacity. Bethlehem has net working capital of over \$700 million, ready to be invested in new plants and equipment.

The steel industry is in splendid condition to reap full advantage from present high levels of consumer spending and capital investment. It is better diversified than ever in its history, and has demonstrated that it can make good money at only 65 per cent of capacity. Indications point to a substantially higher operating rate than 65 per cent over the next decade, with a steady gain in profits over the long range.

—END

Rubber Shows New Bounce

(Continued from page 709)

Hikes ranged from 3¼% to 6%. Car tire prices had been raised about 13% since November 1 last, while truck tire prices had climbed 10% to 18% in the same period. The price of crude rubber in New York rose from around 30 cents a pound early in March to about 44 cents before the tire prices were raised. A year earlier, incidentally, crude rubber was around 24 cents.

The trend among leaders of the industry this year points to record sales, higher net and better profit margins. This business no longer is dependent on speculative raw materials. It enjoys a wide and increasing demand for tires, minimizing the inventory and overcapacity problems that harassed rubber-makers in the pre-war era. Strong emphasis on research in synthetics should continue to broaden their horizons.

Year-to-year comparisons of the number of vehicles on the road with the number of tires shipped for use in this country indicate that the average tire lasts about three years. To keep 270 million tires on the highways, some 90 million of these must therefore be replaced annually. This may be done either by shipment through replacement channels or as original equipment on new machines. The inclusion of tires exported directly or as original equipment on exported vehicles will raise this figure to about 93 million, with no allowance for an increase in the number of cars in operation. Total automotive tire shipments have exceeded this maintenance figure only in 1950 and 1953 — 99.8 million and 94.7 million, respectively.

This basic number of tires to be shipped annually has been a growing figure. If its future growth is only in fixed ratio to population, median forecasts of the number of families in the country indicate that the basic tire demand will reach 97 million in 1960, 107 million in 1965 and 118 million in 1975. However, it must be emphasized that motor vehicle usage, proportionately, has grown much faster than the populace ever since the birth of the motor car. Actual number of cars in use at the depth of the depression was 608 per thousand families, compared with almost 895 today.

To sum up, the long-term outlook for the leaders of this industry, now highly diversified, is highly favorable but, as noted at the outset, they have discounted in the marketplace much of their current prosperity and a good deal of probable prosperity. —END

In The Next Issue

PART VI OF THE

MIDYEAR DIVIDEND FORECAST

Covering:

Petroleum—Chemicals
Drugs—Metals—Paper

Auto Makers Look to 1956

(*Continued from page* 703)

price cut. American Motors (Hudson and Nash) has a year-round bonus plan.

While such gimmicks point to a measure of concern over the size of inventories, it must be remembered that with sales volume at a record peak this year, dealers have had to keep a larger supply on hand to meet demand. The unparalleled long list of optional equipment and color schemes—and fierce competition for quick sales—also has added to the need for larger stocks.

1956 Changes to Be Fewer

A year ago the automotive industry undertook the greatest number of model changes in its history and the cost was astronomical. Thus, for General Motors Corp. to bring its 1955 models to market required an outlay of more than $600 million—nearly twice the amount spent for the 1954 line. Chrysler, Ford and the so-called independents also stepped up sharply their spending for retooling, advertising and sales promotion to meet the rugged competition that typifies this business. After the heavy costs incurred for the 1955 makes, most companies are making relatively minor changes for next year—such as somewhat more powerful engines, improved no-shift transmissions and a toning down of body colors. No major changes are anticipated before 1957, when the motorists will be deluged with such come-ons as the lower-longer look, more curved-glass treatment and a greater trend to push buttons.

With the year two-thirds gone, it is obvious that the Big Three of the industry—G. M., privately-owned Ford and Chrysler—are headed for a banner year. Such independents as the newly-formed Studebaker-Packard and American Motors figure to do relatively better, but these companies are not yet out of the woods. As for Kaiser Motors, which hasn't made money since 1948, even that company was operating profitably early this year and the management was promising stockholders "black ink" for 1955. Makers of trucks present a mixed picture.

General Motors had the largest quarterly and first-half earnings in its history, as it continued to grab off more than half of the passenger-car sales. Volume for the second quarter totaled $3.4 billion, against $3.1 billion in the initial three months. Profit margin advanced to 10.3% from 9.9%. Earnings rose to $3.79 a share from $3.33 in the first quarter. For the half, earnings soared to $7.13 a share. All but 8.5% of sales were to commercial customers, defense orders shrinking from the 25% of the total of recent years. It must be emphasized that the aforementioned earnings take in its appliance, locomotive and other businesses, for G. M. does not break down its earnings to show profits from car manufacture alone. In any event, earnings should be considerably in excess of 1954, which reached $9.06 a share. Directors recently raised the dividend to $1.50 for the quarter and proposed a 3-for-1 split.

Chrysler in Comeback

The story of the year in the industry, however, is *Chrysler's* comeback. That company took the bumps last year, especially during the first 10 months when it was offering cars that lacked the bigness and long, low silhouette along with puffed-up fenders and decks that the public apparently wanted—and still wants. The Chrysler line this year, from Plymouth to Imperial, is the product of intelligent planning, innovating and promoting. As a result, Chrysler once more has established itself as a vigorous competitor to the other two leaders of the industry.

A few statistics provide an insight to the resurgence of this giant. Earnings per share for the first six months are up more than fourfold while sales have nearly doubled. At the same time, the profit margin has risen to 3.7% from a poor 1.4%. In the first seven months of this year the company made 951,275 cars and trucks—up 97% from the year-ago period. Retail sales of its high-priced Chrysler and Imperial cars in July were up 63% from the 1954 month. Deliveries of these cars in the first seven months were at the highest postwar rate.

(*Please turn to page* 732)

Auto Makers Look to 1956

(*Continued from page* 731)

Chrysler was able to achieve a gain in earnings for the second quarter despite a dip in sales from the preceding period, due mainly to greater efficiency of operations. For about a year, each Chrysler division has been more responsible for its own separate profit-loss performance as the corporation presses its divisionalization program. This has resulted in heightened efficiency. In addition, the company has been engaged in modernizing manufacture for at least a year. Its earnings were 3.83% of sales in the second quarter, against 3.6% in the first quarter and 1.46% in the second quarter a year ago.

Early this summer, Ford and G. M. came to terms with the C. I. O. Auto Workers, the union that dominates the industry. A modified Guaranteed Annual Wage system was imposed on the two top companies and a similar fate awaits Chrysler. In addition, all of the companies in this industry now are paying higher prices for steel and other materials, the result of wage increases won on other fronts. These increased labor and materials costs pose considerable problems for the Big Three, but for the so-called independents these new burdens constitute a threat to their existence. These companies have been forced into mergers as a measure of self-preservation and the trend toward combines among these companies may yet lead to an amalgamation that would produce a Big Four in the industry.

American Motors Corp. was formed May 1, 1954, through consolidation of Nash-Kelvinator Corp. and Hudson Motor Car Co. The new company had its first profitable quarter in the three months that ended June 30, 1955. Net was $1,592,307, or 28 cents a share, and sales were $137,139,-847. For the nine months ended June 30, the company sustained a net loss of $4,522,171, after giving effect to a tax recovery of $4,723,000. Sales for the nine-month period were $348 million. Comparisons with the figures for the like periods of the preceding fiscal year are not feasible, since Hudson figures were included for only two months after the merger. Production of 56,036 Nash and Hudson cars in the June quarter this compared with 23,476 in the year-ago period. Dollar sales of Kelvinator and Leonard appliances in this period rose by 12.7%.

Studebaker and Packard

Studebaker Corp. and *Packard Motor Car Co.* also combined in 1954. Here, too, emerges the necessity of whipping two companies into shape for the battle that will determine whether the downhill slide that prompted the merger can be halted. Faced with the prospect of rising materials costs and the likelihood of having to compete on the labor-cost level with the entrenched giants of the industry, the new company has trimmed production costs through shifting of manufacture and a wide range of integration moves. Also, by being able to offer a full line of cars, its dealers may be able to compete on more even terms with the Big Three retailers.

While there is no doubt that combinations such as American Motors, Studebaker-Packard and Willys into Kaiser have eased the plight of these companies, their problems are still formidable. Such mergers in the early post-war period might have given them a bigger share of the market and even created a fourth giant. Moving late in the game, they are operating in the red at a time when car purchases are at an all-time high. The future points to more consolidations within the industry or outside—taking them into such diverse lines as appliances and electronics. Kaiser, as another example, has sought to offset lean business at home by cultivating foreign markets and planning production beyond the United States.

Companies that produce trucks compete fiercely among themselves and, in addition, have to yield more than 90% of their market to the Big Three giants and *International Harvester.* Their prospects in the post-war decade have been helped—and depressed—by the ebb and flow of military business. At the moment, prospects are slim for a sizable boost from the military.

Mack Trucks has done unusually well this year, but the standouts in this field are *White Motors* and *Fruehauf Trailer.* Here, too, salvation has been sought in mergers and signs point to more to come.

White, which has paid some dividend each year since 1941, is having an especially good year. Unfilled orders, at times, have been more than 100% above 1954 and the new business has kept coming from common carriers as well as private operators, such as soft-drink, dairy, brewery, construction and oil firms. Much of the upsurge has stemmed from replacement demand. Its Special Products Division is a leading maker of army tank fire-control equipment and also produces chassis for power shovels, cranes and other heavy construction equipment. White also is seeking to establish itself as a diesel engine producer.

The Big Three of the industry now are winding up the best year in their history, despite decline of the military as a factor. For a few truck manufacturers it also may be set down as a splendid year. With a record 65 million people at work (incidentally, earning record high wages), the market for cars in 1956 remains very considerable. But the spirited competition among the Big Three, highlighted by the ding-dong battle between Ford and Chevrolet for sales leadership and the drive by the Chrysler people to regain 20% of the over-all market, may breed more casualties among smaller entities.

Possible tightening of consumer credit terms remains a chief cause of concern to the industry. Increasingly easy installment terms have stirred the attention of—and action from—Government credit officials.

Auto credit outstanding on July 1 reached a record $12.5 billion, against only $1.5 billion in 1939. Current auto credit is spread among 7.2 million expected to be sold this year, compared with only 2.7 million in 1939. While there is certain to be a curtailment of "crazy credit," terms for car purchasers may be expected to remain liberal enough to rule out only the poorest credit risks and those totally unprepared to acquire an equity in a car. Add to this the factor of record high employment and one must conclude that 1956 will prove to be another good year. —END

Is Decline in Aircraft Stocks Justified?

(*Continued from page* 711)

or air transportation. Investment managers trained to pursue conservative policies remain reluctant to place funds in stocks seeming to possess great volatility. For this very reason then perhaps aircraft shares are less fully exploited or overvalued than are socalled blue chips favored by pension funds, insurance companies and similar investors. This factor should be taken into account in appraising prospects for representative issues.

Another aspect having an influence on relatively modest appraisal of earnings is the potential threat of "confiscation" of profits through contract renegotiation. Profits of aircraft manufacturers still are subject to review and approval by the Renegotiation Board. For the most part, however, contracts for planes are of the so-called incentive type, which enable the manufacturer to benefit from economies and efficiencies attained after a "target" price has been determined.

The degree of protection afforded by the incentive-type contract has not been fully established, but litigation now pending promises to determine whether one branch of the government rightfully should penalize a manufacturer for participating in economies accruing to the benefit of taxpayers under terms of a contract offered by another governmental agency. It seems evident that high authorities recognize that the fact that the aircraft industry cannot expect to keep this country in the forefront of aeronautical science unless the profit-incentive motive is provided by government procurement policies.

Congressional inquiries into profit margins pose another threat which tends to cast suspicion on aircraft stocks. Little basis for criticism is found so long as profits are related to shipments, since most large manufacturers show earnings of only about 2½ to 3 per cent on sales. Politically inspired attacks direct attention, however, to the fact that some companies have been reporting substantially larger margins when comparisons are made with invested capital. In cases where companies have been leasing plants owned by the Air Force or by the Navy, it has been noted that earnings have been generous insofar as capital invested by stockholders is concerned.

Summarizing, then it may be granted that rising peace hopes present a psychological hazard for aircraft stocks, especially since the shares have experienced wide appreciation in recent years and have been accumulated primarily by investors interested in capital gains rather than in assured income. Nevertheless, the industry has been gaining significantly in investment stature and stocks of the stronger companies well might attract attention of institutional investors on any further sharp corrective reaction. All indications point to maintenance of relatively large production contracts notwithstanding increased talk of peace. Intensification of work on guided missiles and rockets promises to provide sufficient orders to keep engineering staffs strong and active. —END

In The October Issues:

FEATURES COVERING—

1) **Potential Stock Splits**

2) **Likely year-end dividends and extras**

Airlines Solve Some Old Problems

(*Continued from page* 714)

1954 first half-year's $2.4 million, or 81 cents a share, to $4.2 million, or $1.52 a share. This gain of approximately 87% reflects not only higher operating revenues but improved control of expenses.

So far as operating revenues are concerned, *Trans World Airlines* also scored a gain in the 1955 first half-year. Revenues for that period increased to $99 million from $92.8 million for the first half of 1954. However, as in previous years, the unsatisfactory load factor in TWA's international lines made inroads on earnings from the domestic lines. Reflecting this is the first quarter deficit of $1.17 a share. Second quarter results, as usual showed a reversal, net earnings for that period being equal to $1.46 a share, bringing earnings for the full first six months to 29 cents a share compared with 52 cents a year ago. The lower net earnings were after deducting $1.5 million in non-recurring costs connected with introducing new luxury "Super G Constellation" planes into service, and taking out another $1 million in U. S. mail revenues that were applicable to 1954. Second half-year results should show substantial gains, although continuing high depreciation charges are certain to hold this year's earnings down to some extent, but they should be moderately better than the $3.10 a share earned in 1954.

A dividend payment on TWA shares, however, is not an immediate prospect. Although the recent refinancing program created greater financial flexibility through easing of previously heavy near-term debt maturities, it is necessary to lay plans for large expenditures for future replacements. TWA is already beginning to give serious consideration to swinging over to jet planes on part, at least, of their air routes. So are other airline companies. *Capital Airlines* is already getting deliveries against its order for 60 British Viscount turboprop jet planes, and *National Airlines* has disclosed plans to purchase six Douglas DC-8's jet airliners. These planes, it is said, will cost $4.6 million each plus $1.4 million for spare parts, with deliveries scheduled for 1959 and 1960. Acceptance of the contract by Douglas would indicate that other airlines are lining up at the order window for DC-8 jets, as it is not likely that the aircraft builder would proceed on a production program involving National's six-plane order. It is quite probable that American Airlines, Eastern, United, and other major operators, all of which have shown an interest in the DC-8 as well as Boeing's 707, may be about to sign contracts for the Douglas jet plane, thus strengthening their competitive position for the greater traffic volume that is expected to develop over the coming years.

Investors interested in air line company shares will, we believe, find the accompanying table with its pertinent statistical data of particular interest. Our comments pertaining to each of the companies listed highlight certain features of each company, indicating those stocks that are attractive from a speculative standpoint or as long-range holdings.

Bus Companies

Problems which became acute immediately after the end of the war still plague bus companies operating intra-community lines. Operating costs have been in almost a constant uptrend, as prices for new equipment increased, maintenance expenses rose to new high levels, and wage boost upon wage boost have steadily reduced net earnings to the vanishing point for some operators. Increased fares have not provided an answer to the problem. Hiking the cost of passenger transportation has resulted in the public shunning the use of buses, if not altogether, then using them only when absolutely necessary. The difficulties confronting local bus lines is brought out by operating statistics of *New York City Omnibus Corp.*, which between 1947 and 1954, suffered an over-all decline of 33% in passengers. By cutting mileage traveled by buses, some economies have been effected, although earnings for the first six months of this year, amounting to $1.24 a share fell below the $1.46 a share shown for the corresponding months of 1954. Net income for the 1955 half-year totaling $678,627 was realized from operating revenues of $15.8 million, including those of the former Fifth Avenue Coach Co., acquired by Omnibus last year.

Greyhound Corp., operating the nation's largest bus system, which with subsidiaries' lines, include transcontinental routes, through effecting new economies and increasing efficiency resulting from consolidation of operating subsidiaries into Greyhound operating divisions should be able to show earnings for 1955 that will compare favorably with $1.35 a share earned in 1954. In an effort to attract increasing patronage and to increase efficiency in bus operation, Greyhound last year introduced its new Scenicruiser with many "low-cost luxury" innovations. While this new type of bus has not been in operation long enough nor in sufficient numbers to justify final conclusions, the company is confident that they will make a significant contribution to revenues and earnings as new units are put into service.

Shipping Companies

In contrast to 1954 which, for practically all the shipping companies, was a year of poor traffic and intensive competition, the current year, although competition has not diminished to any appreciable degree, promises to be one of increased traffic and better earnings. This is indicated by first six months operating results of several of the lines, showing material gains in net earnings per share as compared with the first half of 1954. With traffic holding at or close to first six months' level through the most of the second half-year, it appears reasonable to anticipate some good gains for 1955 over the trying year of 1954 when the lines were beset with longshoremen's strikes on the N. Y. waterfront.

Creating greater interest in the shipping field is the announcement of the Maritime Administration, made two months ago, of a $750 million shipbuilding and repair program. This will involve, besides repairing 189 military auxiliary vessels in the reserve fleet, adding 85 new ships or conversions to the active merchant fleet. It is also expected that under a program worked out by the Committee of American Steamship Lines, 16 American-flag lines will participate in the plan to replace vessels, most of which were built during the war years.

Makers of Auto Parts in Quest of Diversity

(*Continued from page* 705)

In 1953, Chrysler took over the Briggs body business in a major move to reduce dependence on outside supply. Other mergers are in the offing, with the small car-makers, striving for improved economies and greater integration, prime candidates.

Customer Now Competitor

General Motors, which turns out roughly half of the cars in this country, might be expected to be the prime customer. While G. M. is a substantial buyer, it also is a stern competitor of the accessories manufacturers. The giant constantly is making more parts in its own plants. In addition, its aim long has been to supplement the business of its thousands of new-car dealers with a wholesale replacement parts trade — G. M. parts, of course.

While 1955 is a relatively good year for the parts people, they are not apt to forget their recent experiences with declining business in their traditional lines, the emergence of fierce competition for what remained and the tapering off of defense work. All of these things happened to an industry that had not known the meaning of vigorous competition for 15 years — a time of plenty of orders for management, plenty of overtime for labor, plenty of wages and plenty of costs. The return to a buyers' market was bound to be painful. To this situation was added the tendency of car-makers to include in their own operation the production of major automotive components.

Gadget-Happy People Help

The outlook for the accessories industry would be grim but for the tendency of the well-heeled motorist of today to seek more than transportation when he buys a car. People often want everything in a car, including a bed, a transistorized radio, a sanitary-napkin holder and dual exhaust. Indeed, the not-so-well-heeled motorist may have more of these than the affluent buyer, for dealers are prone to cut their prices to ridiculously low levels and make up the difference by "soaking" the customer for such extras as power braking, nylon seat covers, fender guards, wire wheels, bug deflectors (pieces of plastic mounted on car hoods to keep insects from defacing windshields) and rear-tire mounts. Many cars today even feature plastic cases into which may be inserted a picture of a glamour girl to while away the hours of a long trip.

Trend Toward Diversity

While the trend toward gadgetry is an immense aid to the industry, the drive is on in earnest to broaden the earnings base through mergers with companies in other fields. Thus, Electric Auto-Lite would like to reduce its dependence (about 90% of volume) on the automotive business to about 60%. In recent months the company has looked over a score of firms outside the auto field and has shown considerable interest in electronics, aircraft parts and plastics. King-Seeley's fortunes have been bolstered by the acquisition of Signal Electric's motors and exhaust fans plus a line of power tools. American Metal Products Co., which reported a sharp rise in sales and earnings for the first six months of this year, made only auto parts as recently as 1947. The last year may have been a lean one for many parts-makers, but for A. M. P. it was a year of record business. The company, which had branched out into desks, bookcases and metal bins along with aircraft parts, this year acquired AllianceWare, a maker of porcelain-on-steel bathtubs, lavatories, sinks and related items. Never again will the company depend solely on the sale of such items as seat frames, axles and bumpers. Bohn Aluminum & Brass Co. provides yet another example (there are dozens). In 1947, 95% of its sales came from pistons, bearings and other auto parts. Today, aluminum irrigation pipe, evaporators for refrigerators, storm windows and other non-automotive products give Bohn a lift.

Most radical move was the decision of Murray Corp. of America to quit the business altogether and turn its attention to plumbing fixtures, home appliances and the production of pinsetting ma-

(*Please turn to page* 736)

In The Next Issue:

A Special Feature

THE SOUNDEST INVESTMENT POLICY TODAY

Makers of Auto Parts in Quest of Diversity

(*Continued from page* 735)

chines for bowling alleys. Murray this year entered into an agreement with Easy Washing Machine that should broaden its base in appliances. Murray withdrew from the auto-body business because of the probability that the "limited market" for the independent auto-body producer would become still smaller. Its chief auto contracts had been with Hudson (American Motors) and Willys (now Kaiser).

The Murray decision, of course, was dictated by the lean days on to which its automotive customers had fallen. For other accessories manufacturers, the situation is mindful of the predicament of the railway equipment business. Like the auto parts people, it long had been dependent on a single customer. In recent years the railway suppliers undertook a program of broad diversification, which gave them a considerable lift. As noted in the foregoing, many companies already have achieved considerable diversity and others as Electric Auto-Lite are moving in that direction. The alternative for many others in this field would seem to be absorption by the automotive producers and a number of such mergers already is believed to be in the works. —END

Mergers— Strong and Weak

(*Continued from page* 691)

on March 1 with Affiliated Gas Equipment, a maker of residential heating equipment. But there is little doubt that benefits will accrue from this rounding out of the line. The enlarged Carrier now is in a position to offer a full line of air-conditioning products, providing cooling and heating, for residential, industrial and commercial applications.

Other appliance producers have been active in the quest for consolidations designed to round out the line. This explains the acquisition of Bendix Home Appliances by Avco Manufacturing Corp. It also explains the takeover by Radio Corp. of America of the Estate Stove plant from Noma Electric Corp.

Only because the Antitrust Division of the Department of Justice was satisfied that the Estate Stove line of R. C. A. was "in poor health" was the company permitted to effect a $130 million merger deal this summer that figures to make R. C. A. a giant of the appliance industry. Involved with R. C. A. are Whirlpool Corp., a leader in the laundry-equipment business, and Seeger Refrigerator Co. The new company, which would include the stove and air-conditioning division of R. C. A., is to be known as Whirlpool-Seeger Corp. Sears, Roebuck & Co. and the Sears pension fund are substantial stockholders in Seeger and Whirlpool. Sears markets Seeger's present output and part of Whirlpool's production. The move should give Whirlpool and Seeger a better outlet through the vast R. C. A. distribution system. The Government envisions the new setup as providing stern competition for such topnotch appliance companies as General Electric and General Motors.

Mutuality of Interest

Probably the greatest spur to mergers is the economics of integration, prompting competing companies or entities in an allied field to join hands in the interests of maximum operating efficiency and market exploitation. This mutuality of interest led to the formation of Warner-Lambert this spring. It linked Warner-Hudnut, Inc. and The Lambert Co., both long active in the drug and cosmetic fields. Because of the improved product mix and various operating economies, earnings should rise considerably. Warner-Hudnut can now step up its emphasis on pharmaceuticals, notably ethical drugs. The company has been eliminating a number of low-profit cosmetics lines and concentrating on higher-margin drug products. In addition, significant operating economies have been effected, such as abandonment of high-cost manufacturing and distributing operations. The two companies complement each other in many ways. Thus, Warner-Hudnut has a strong manufacturing and sales organization abroad. Indeed, almost one-half of its 1954 volume was sold outside the U. S. Although Lambert has been active overseas, its foreign organization is not nearly as large or far-flung. There are numerous other benefits, such as reduced administrative and general expenses and improved research.

Valid Reasons for Some Mergers

Another striking illustration of mutuality of interest spawning a strong combine was the recent consolidation of American Woolen, Robbins Mills and Textron, Inc. into Textron American, Inc. Thus was created a new giant in the textile industry, benefiting from Woolen's excess working capital, Robbins' modern plants and topnotch skills and Textron's experienced and capable management.

From the foregoing it must be obvious that there are varied and valid reasons for the post-war wave of mergers. Bigness for bigness' sake is hardly a predominant factor. Far more commonplace are the mergers engineered by so-called "fast buck" operators, who gain control of a company by exploiting stockholder unhappiness (arising out of such causes as omitted dividends, bleak business prospects or a management disposition to sit on assets) and then go on to diversify and pyramid their stake. The "fast buck" is obtained through a capital gain, on which the levy is less onerous than on income. There also is the familiar "wrecking crew," which acquires a company with a view to disposition of assets at a fat fast profit.

Scrutiny By Government

Only Washington can halt the merger trend and this Administration, although friendly to business, is studying the situation. Its investigations encompass such aspects as markets and competition in connection with the impact of consolidations. Studies have dealt with the merger cycle and included suggestions on how the Government should test the legality of mergers under law. Assuming a continuance of the present pace of mergers, unmatched in our history, it would not be surprising to see greater obstacles placed in the path of such moves. While there may be ample justification for blocking certain mergers hitherto proposed, it would be unfortunate if such involved economic problems were to be turned into a political football. —END

Our Billion Dollar Corporations

(*Continued from page* 689)

smaller corporations. Some small companies have done fabulously well and some of the very large firms have run into trouble, but the record shows that the large ones have been able to do better, more consistently than their smaller competitors. The table which accompanies this article is well worth examination by the reader. It shows quite conclusively that the great American corporations, in the past decade, have done fabulously well, by and large. It is to be noted, however, that while all the companies listed, without exception, have gained prodigiously in sales, bringing them well over the $1 billion sales mark annually, not all have been able to translate these gains into equivalent gains in per share earnings. This is duly reflected in the inability of the shares to rise during a decade when stocks of the most successful corporations, from the standpoint of earnings, had extremely large advances. Nevertheless, despite these differences it is true that, on average, investments in the largest companies, held over the post-war decade, have turned out more profitably than those of companies of smaller size.

Decentralization of Management

The question arises: How is it possible for these managements, successful with a smaller company, to maintain the same degree of efficiency when their efforts are spread over the full range of a diversified business with activities in every state and a multitude of foreign countries?

The answer lies in the results, which show that many are capable of adapting their operations to large scale activity without loss of efficiency. In recent years, decentralization of operations with control held in headquarters but individual divisions having considerable autonomy in production and sales has been adopted as a useful means of guiding corporate policy without sacrificing many of the benefits which accrue from an intimate knowledge of local conditions.

General Motors Corp. has set a powerful example for decentralization. Success of this corporate policy cannot be challenged. Therefore, others are following similar policies. The decentralization is along product lines. Each car brand, for example, competes against each other with division managers charged with the responsibility of improving sales and keeping costs low. Each must account for his own results. Though a large degree of autonomy is granted, basic design and engineering must be approved by headquarters with all lines coordinating for maximum efficiency.

General Electric Co., within the past several years has pursued a policy of modified decentralization. There are geographic divisions used for determining quotas and market data but manufacturing of many products is contained within a single plant. Thus, radio and television is produced exclusively in Syracuse and appliances are turned out in its own huge Appliance Park, Kentucky. Warehouses strategically located around the country stock the merchandise which is received in carload lots. Plants are set up in regions which are showing rapid growth and which are required to give the corporation the broadest possible geographical dispersal in order to reach the new markets.

Continental Can Co., though not on the billion dollar list, patterns its control after army staff rules. Each of its 81 plants is accountable through its manager for meeting production and profit quotas.

With its size, each company in the group also stands as an example for the industry and for the nation so that they are occasionally required to perform some function which benefits the economy more than the company itself. Sometimes, however, these acts return to aid the company.

The steel industry, represented particularly by U. S. Steel Corp., reluctantly undertook a round of expansion even though it protested that the amount of capacity at the time in 1949 was enough to take care of foreseeable needs. The added productive facilities came into use just at the time they were needed when the Korean war started, giving the country badly needed steel and returning a handsome profit to the owners. But this was only possible through the huge resources, personnel as well as financial a physical, of the huge company

The oil companies have been fluenced similarly by an offic desire for increased oil reserv They have maintained aggress exploration programs. They ha spent enormous sums for explo tion and, as a result, have co up with good sized additions to amount of oil known to be in ground. Both the oil compan and the steel manufacturers ceived aid from the Governme to stimulate their activities in form of tax concessions. The companies can charge explorati expenditures against current come and get additonal depleti deductions from later earnin The steel companies benefit from certificates of accelerat amortization which allowed th to charge-off a substantial porti of the cost of the facilities over five year period instead of usual 15 to 25 years.

The investor who buys shar in giant companies thus is apt find that he is investing in entity which will grow with nation, perhaps even a little fast than the economy as our stan ard of living improves, requiri more food, more merchandise p capita each year.

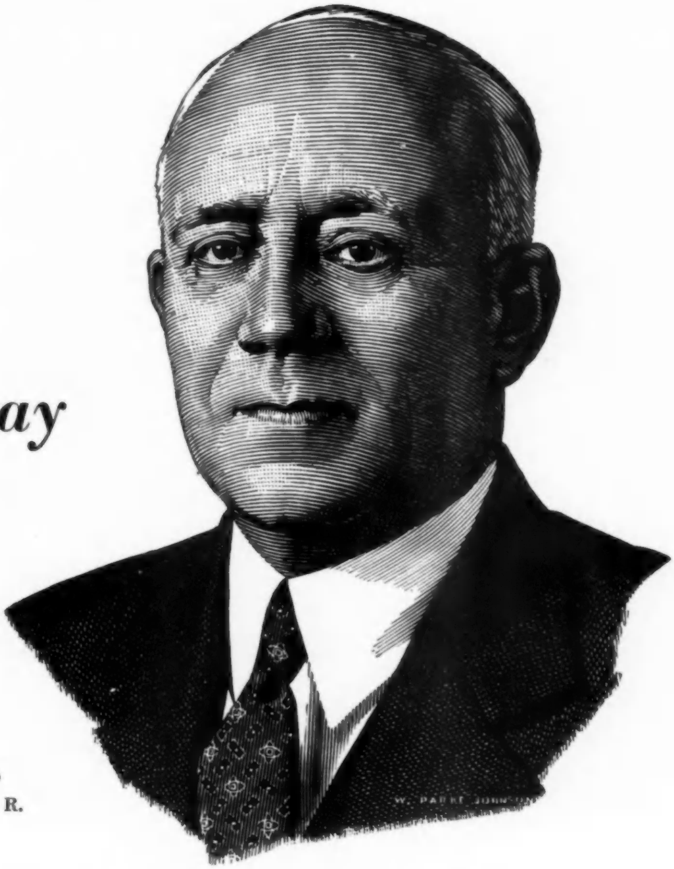
Such has been the case up now. Investments in du Pon Jersey Standard, U. S. Steel, f example, have done better th average through the years. B large size does not necessarily i sure an excellent profit or mark performance.

Armour & Co., burdened wi plants that are not the most ef cient and a capital structure whi is just as much a drag on resul has been unable to maintain growing trend. In an attempt rectify its adverse position, A mour has been expanding in the pharmaceutical field throu wholly-owned Armour Laborat ries. Now, it is estimated, t pharmaceutical company wou have a greater market value th the meat packing activities if th companies were split in two. Suc intense penetration of a new fie can only be made by a large co poration with sufficient capital back its decision to enter the ne field as a major contender f high honors.

Of course, what has been me tioned does not apply solely those companies with the sales assets of over a billion dolla

(*Please turn to page* 740)

"The easiest way
o buy Bonds..."



MR. MARTIN W. CLEMENT,

Chairman of the Board, Pennsylvania R. R.

"The easiest way to buy bonds is through the payroll savings plan. We on the Pennsylvania believe in that plan. Labor and management, officers and employees, over half of us are enjoying it. We believe that it is good for our country, that it is good for our company, and that it is good for ourselves and our families to have these savings."

p executives of more than 20,000 large companies share r. Clement's conviction that the Payroll Savings Plan good for the country, the company, the employees and eir families.

Obviously it is good for the country. The monthly purase of Savings Bonds by more than 8,000,000 Americans building a huge fund of buying dollars that will be flected in the sales curves of tomorrow.

And certainly it is good for the company. The employee ho puts a part of his earnings in Savings Bonds *every onth* is not the type of man whose name appears freently on the absentee or accident records. Serious savers e serious—productive workers.

For the employee, the Payroll Savings Plan is a positive oon. It is the easy, automatic way for him to build financial independence, provide for the education of children or save money for a home.

If your company does not have a Payroll Savings Plan, here are two things you can do *today:*

Appoint a Bond Officer, one of your major executives—the kind of man who picks up a ball and runs with it. Tell him to get in touch with the State Director, Savings Bond Division, U. S. Treasury Department. The State Director is ready with a package plan—application cards, promotional material, practical suggestions, and all the personal assistance your Bond Officer may need.

Then make a note on your calendar to check the status of your Payroll Savings Plan six months from today—and you will be surprised and gratified at the high percentage of employee participation you will find.

Our Billion Dollar Corporations

(*Continued from page* 738)

The same principles apply to all very large corporations, whether their sales or assets are just over or just under the billion mark. Rising sales totals for 1955 and continued heavy investment in plant and equipment should add quite a few new members to the exclusive club in coming years. Their role in the business world will not be changed by the new rank other than in title since most already possess the attributes cited.

Large Corporations Attract Institutional Investment Funds

From all this we can see that one must be careful about applying generalities as to whether or not investment in the "billion dollar" corporations works out more satisfactorily than those in smaller companies. Many individual examples can be adduced to the contrary. Yet, there can be little doubt that, as a whole, investment in these huge corporations has been satisfactory for most investors for two reasons: one is the obviously larger potentials for company earnings and, hence, higher dividends over the long term; and the second is that institutional investment is normally attracted to these enterprises, thus offering greater market stability, a particularly desirable quality in times of market stress. —END

BOOK REVIEWS

1955 Survey of Industrials

For the investor interested in Canadian industrial corporation securities, this 344 page manual offers extensive coverage. It is a workmanlike volume, giving operating data and balance sheet accounts of the last three years for 298 leading Canadian industrial concerns. Company descriptions are also included in some detail. There is a compilation of stock price ranges, giving the yearly highs and laws back to 1948. Published by the Financial Post of Toronto, the volume reflects the careful editing and attention to detail that it has received.
The Financial Post, Toronto $3.00

This Age of Miracles

(*Continued from page* 687)

today controls the operations of a steel strip mill—before the advent of television, sixty men were required for the job. In another application of closed circuit television, five men efficiently control the production of automobile motor blocks at the rate of 600 per hour. In still other uses, closed circuit television confirms the signature on the doubtful bank check, or it throws the visage of a wanted criminal on the screens of 10 million home receivers, often leading to apprehension of the dangerous felon.

The relationship between satellites, the atom and electronics may seem remote. Nothing could be further from the truth. There may be no direct, or even nebulous mechanical relationship; they are used to point up that today's seeming fantasy is tomorrow's hard, practical reality, of service to mankind, hence of certain profit to the company that will take a lesson from the past strides of science and realize that man's material progress is accelerated by his willingness to explore the unknown.

To be slightly repetitive, the space ship is not for the vacation cruise of this generation, but what science learns from the satellite will vastly improve industry's production, hence profit potentialities in the fields of fuel, metallurgy and transportation. These will be the first gains from outer space exploration, and not the least of these gains will be the area of transportation.

Today's transoceanic airplane, traveling at speeds less than 400 miles an hour at altitudes of around four miles, will seem snail like to the plane which will travel ten times as fast in the rare atmosphere existing 100 to 200 miles higher. And this is a potentiality the most conservative of scientists today freely predict.

If all of this seems excursion of the imagination, the reader can only be reminded of yesterday's fantastic "dreams" that are today's profitable realities — all of them paying dividends to those who listened and would put their energies and dollars into the "impossible." —END

BOOK REVIEW

A General Theory of Economic Process

By NEIL W. CHAMBERLAIN

Here is a fresh approach to econom theory, and one which should intere both social scientists—economists, po tical scientists, and sociologists—a businessmen.

Among the more important featur of the book are (1) its focus on inco flows at micro as well as macro level (2) its treatment of bargaining pow as the basis for changes in micro a macro flows; (3) its incorporation organizational theory in the analysis the principal units for the flow funds—households, firms, governmen units; (4) its incorporation of dire political influences on income flow (5) its utilization of sociological theor in developing the importance of sy biotic as well as commensal competiti in economic life.

Professor Chamberlain's analysis do not attempt to displace current theor but rather to integrate previously u related concepts into a single interdi ciplinary system.
Harper & Bros. $5.0

Industrial Purchasing

By J. H. WESTING
Professor of Marketing and
I. V. FINE
Assistant Professor of Commerae; bo at the University of Wisconsin; a Members of the Milwaukee Associati of Purchasing Agents

Careful balance between theory and practice

Here is the modern viewpoint on i dustrial and budgetary purchasing. T book covers not only the fundament principles and policies, but also t broad details of current practice. I authorship, furnished by teachers the subject and executives actively e gaged in the field, insures that t material is practical and pertinent a that a proper balance is maintained b tween business experience and academ analysis.

Designed to be used as review or reference

The outstanding feature of *Industri Purchasing* is its complete, thorou coverage of the field. It offers a numb of unusual innovations such as its m terial on traffic, the purchase of scra and the management of purchasing pe sonnel. Its approach is completely a thoritative and its discussions a copiously illustrated with material such as survey results, which have n previously been available.

Covers the duties of the purchasing agent—and the products that concern him

The book is in five parts. The fir four of these cover the broad range activities and responsibilities of t purchasing agent. The material, pr sented in language that is easy to rea and understand, provides a comprehe sive and concise exposition of theor and actual practice. In the fifth sectio the book presents a survey of many the basic industrial products with whic most purchasing agents deal. This m terial offers a sound appreciation of t bases for policies and procedures.

How Wonderful Corn Is . . .

And how steel brings you America's largest and oldest crop . . .

Corn.

Golden Bantam, Shoe-Peg, Country Gentleman, Golden Cross—and a dozen other varieties—picked and packed at the precise moment of perfection to lock in hearty flavor, protect rich food value, add variety and zest to our meals year round.

It's grown in every state in the Union. It's our oldest and largest crop. In fact, more land is planted to corn than to any other seed. And botanists say it grew in America as many as 60,000 years ago.

Corn. And do you know how most of it gets to your dinner table? About 80 percent of all sweet corn harvested is brought to you in *one* way. That is in tin cans.

Advantages of tin cans

There are many reasons why about 50 percent of our food supply is preserved in tin cans. Actually, a can is 99 percent *steel*, coated with tin to make it resistant to corrosion.

Tin cans are easy to carry. You can drop them and they don't break or shatter. They're easy to store, a source of a complete meal. They make available a wide choice of delicious foods at any time of the year.

What's more, tin cans are sanitary. They're used only once. They're economical, both for the canner and consumer. And so many things—such as food, paint, oil, beverages—come to you in tin-coated steel.

National's Role

The ever-increasing list of items made available to you in cans is the result of constant cooperation between the steel mill and can maker in the development of new and improved types of tin plate needed to meet widely varying product requirements.

National Steel is a leading supplier of both electrolytic and hot-dipped tin plate. Its Weirton Steel Company is one of the largest producers of this product needed for the more than 35 billion cans made each year.

Tin plate is, of course, just one of many steels made by National Steel. Our research and production men work closely with customers in many fields to provide better steels for better products.

For, at National Steel, it is our constant goal to produce steel—America's great bargain metal—of the quality and in the quantity wanted, at the lowest possible cost to our customers.

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

Great Lakes Steel Corporation • Weir
Steel Company • Stran-Steel Corporati
Hanna Iron Ore Company • National St
Products Company • The Hanna Furn
Corporation • National Mines Corporat

NATIONAL STEEL CORPORATION

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